



DRAFT ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

NALEDI LOCAL MUNICIPALITY CONTACT INFORMATION

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NALEDI LOCAL MUNICIPALITY GENERAL INFORMATION

Members of the Council

Cllr. S.T. Modise	Mayor
Cllr. N.G. Mathiba	Speaker
Cllr. C.J. Groep	Member of the Executive Committee
Cllr. E.K. Moroka	Member of the Executive Committee
Cllr. H.L. Pretorius	Member of the Executive Committee
Cllr. D.P. Matobo	Chairperson of Municipal Public Accounts Committee
Cllr. J.A. Adonis	Member
Cllr. P.K. Moloi	Member
Cllr. A.N. Bareng	Member
Cllr. G.A. Coetzee	Member
Cllr. D.T. Mogale	Member
Cllr. S.B. Kgodumo	Member
Cllr. A. Lekgetho	Member
Cllr. M.J. Nchochoba	Member
Cllr. E.G. Ramorogadi	Member
Cllr. E.P. Renoster	Member
Cllr. N.R. Thekiso	Member
Cllr. K.K. Kgajane	Member

Municipal Manager

Mr. M.T. Segapo

Chief Financial Officer

Mr. D.M. Thornhill

Grading of Local Authority

Grade 3 (NW392)

Auditors

Auditor General of South Africa

Bankers

First National Bank

Registered Office and Physical Address

Civic Centre
19A Market Street
Vryburg
8601

Jurisdiction

Dr Ruth S Mompoti District / Naledi Local Municipality
Boundaries as determined by the Municipal Demarcation Board

Domicil

Naledi Local Municipality

Postal Address

P.O. Box 35
Vryburg
8600

Telephone Number

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Fax Number

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E-mail Address

municipalmanager@naledi.local.gov.za

NALEDI LOCAL MUNICIPALITY

ACCOUNTING OFFICERS RESPONSIBILITIES AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The external auditors will form an opinion on whether the financial statements are prepared, in all material aspects, in accordance with the reporting framework and will be given unrestricted access to all financial records and related data.

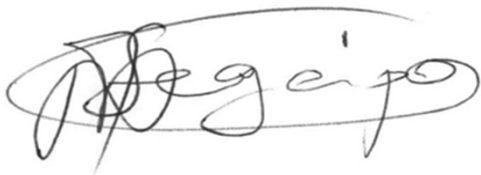
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements, which are prepared on the going concern basis as set out on pages 1 to 74 have been signed by myself on behalf of the Municipality on 31 August 2016.



M.T. SEGAPO
MUNICIPAL MANAGER
31 August 2016

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NALEDI LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2016

1. INTRODUCTION

These annual financial statements are prepared in terms of the Section 122 of the MFMA and presents a report on the status of this municipality's performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 June 2016.

2. BASIS OF ACCOUNTING

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance as detailed in the Significant Accounting Policies section.

3. REVIEW OF OPERATING RESULTS

3.1 General

Details of the operating results per vote and classification of revenue and expenditure are included in Appendix D and Statement for comparison of budget and actual amounts. The overall operating results for the year ended, 30 June 2016 are as follows:

	Actual 2015 R	Actual 2016 R	Variance 2015 / 2016 %	Budget 2016 R	Variance Actual / Budget %
Revenue	360 457 096	372 619 989	3%	377 252 437	-1%
Expenditure	-390 165 032	-413 278 830	-6%	-403 418 129	-2%
Other	-296 074 063	-2 978 036	99%	-	0%
Nett surplus / (deficit) for the year	-325 781 998	-43 636 877	87%	-26 165 692	-67%

For explanations of significant variances refer [Statement for comparison of budget and actual amounts](#).

3.2 Revenue

The detail breakdown of operating revenue is as follows for the year ended 30 June 2016:

	Actual 2015 R	Actual 2016 R	Variance 2015 / 2016 %	Budget 2016 R	Variance Actual / Budget %
Property Rates	34 342 232	36 775 732	7%	41 248 967	-11%
Property rates - penalties imposed and collection charges	-	-	0%	-	0%
Service Charges	139 953 348	156 945 070	12%	199 146 870	-21%
Rental of facilities and equipment	737 581	806 567	9%	1 098 000	-27%
Interest earned - external investments	235 094	401 679	71%	200 000	101%
Interest earned - outstanding receivables	13 503 505	16 554 937	23%	15 000 000	10%
Fines	1 481 027	976 737	-34%	2 501 000	-61%
Licences and Permits	6 934 890	6 569 415	-5%	6 420 000	2%
Government grants and subsidies	128 135 495	106 726 243	-17%	107 598 000	-1%
Other income	35 133 925	46 863 610	33%	4 039 600	1060%
Total revenue	360 457 096	372 619 989	3%	377 252 437	-1%

For explanations of significant variances refer [Statement for comparison of budget and actual amounts](#).

NALEDI LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2016

3.3 Expenditure

The detail breakdown of operating expenditure is as follows for the year ended 30 June 2016:

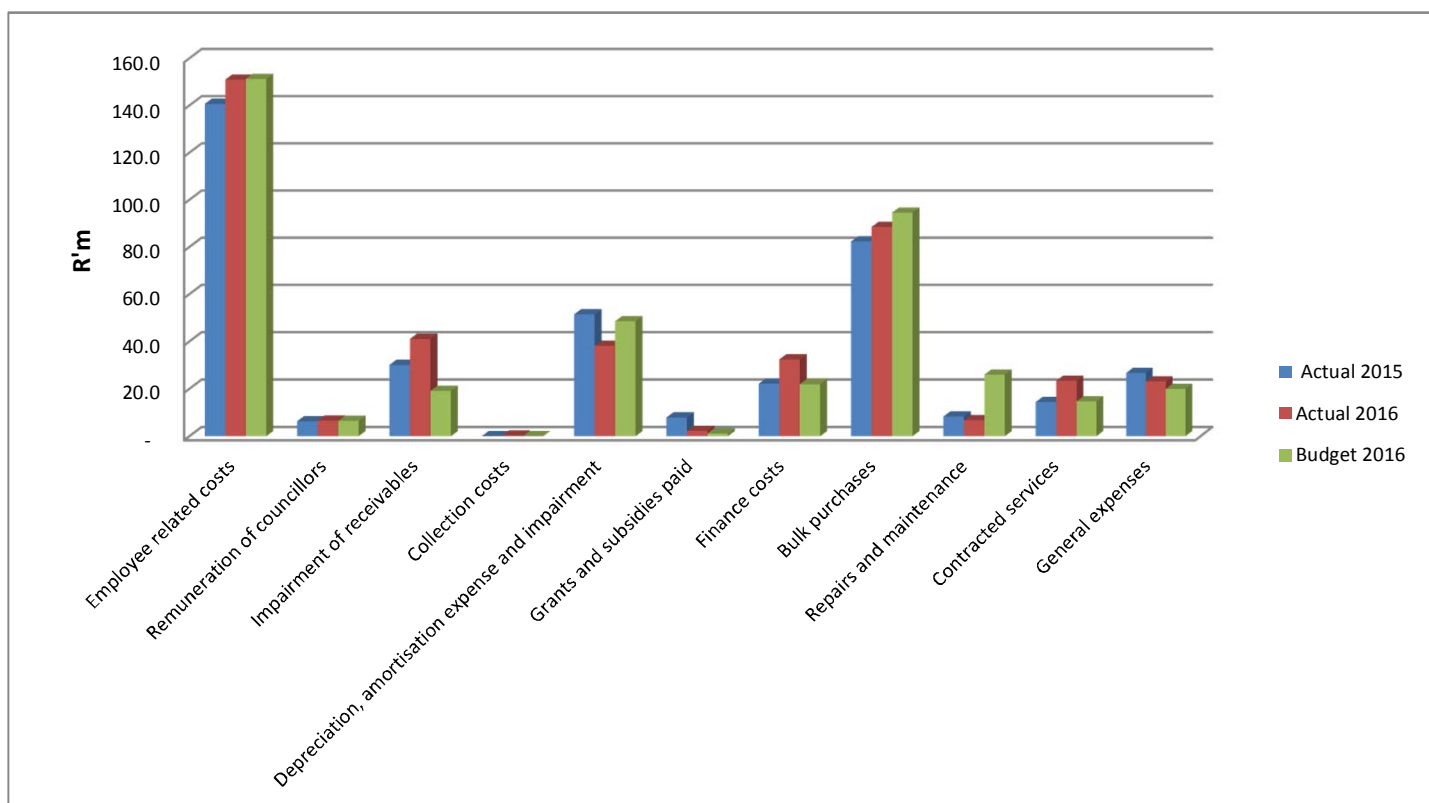
	Actual 2015 R	Actual 2016 R	Variance 2015 / 2016 %	Budget 2016 R	Variance Actual / Budget %
Employee related costs	140 680 868	150 959 490	7%	151 218 362	0%
Remuneration of councillors	6 287 777	6 560 894	4%	6 453 617	-2%
Impairment of receivables	30 068 238	41 050 411	37%	19 089 268	-115%
Collection costs	-	278 262	0%	-	0%
Depreciation, amortisation expense and impairment	51 423 078	38 174 203	-26%	48 500 000	21%
Grants and subsidies paid	7 893 662	2 222 371	-72%	1 120 000	-98%
Finance costs	22 136 142	32 371 368	46%	21 937 900	-48%
Bulk purchases	82 316 180	88 464 468	7%	94 537 600	6%
Repairs and maintenance	8 286 017	6 752 073	-19%	25 967 557	74%
Contracted services	14 397 655	23 367 935	62%	14 680 465	-59%
General expenses	26 675 416	23 077 355	-13%	19 913 360	-16%
Total expenditure	390 165 032	413 278 830	6%	403 418 129	-2%

For explanations of significant variances refer [Statement for comparison of budget and actual amounts](#).

3.4 Budget

The total operating budget performance is summarized as follows for the year ended 30 June 2016:

	Actual 2016 R	Budget 2016 R	Balance remaining on budget	
			R	%
Actual operating expenditure to date	413 278 830	403 418 129	-9 860 701	-2%



NALEDI LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2016

4. CONDITIONAL GRANTS

The detailed conditional grants summary is as follows for the year ended 30 June 2016.

	Unspent grant opening balance R	Current year receipts R	Conditions met R	Net balance claimed against debtor / creditor R	Unspent grant closing balance R
Municipal Infrastructure Grant	961 163	45 844 000	-28 231 189	-	18 573 974
Dr Ruth S Mompati DM Grant	265 419	16 556 037	-16 821 456	-	-
INEP Grant	-	15 000 000	-8 917 196	-6 082 804	-
Finance Management Grant	-	1 600 000	-1 600 000	-	-
Dep of Sports, Arts and Culture Grant	-	1 450 000	-1 450 000	-	-
Municipal Systems Improvement Grant	-	930 000	-930 000	-	-
Expanded Public Works Programme Grant	-	1 876 000	-1 876 000	-	-
LG Seta Grant	-	195 321	-195 321	-	-
Department of Energy Grant (SANEDI)	-	8 000 000	-7 086 081	-913 919	-
Fire Grant	-	-	-	-	-
Total	1 226 582	91 451 358	-67 107 243	-6 996 723	18 573 974

6. CONCLUSION

I would like to extend my appreciation to the Mayor, The Chairperson of the Finance Portfolio Committee, other Councillors, Municipal Manager, Management, finance officials, all staff members and all other role players for their support, assistance and participation in getting the job done in the 2015/16 financial year.



D.M. THORNHILL
CHIEF FINANCIAL OFFICER
31 August 2016

NALEDI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 R	2015 R
ASSETS			
Current assets		74 510 263	56 178 352
Cash and cash equivalents	1	18 582 745	1 284 901
Trade and other receivables from exchange transactions	2	19 930 765	20 689 549
Other receivables from non-exchange transactions	3	5 886 288	11 084 978
Inventories	4	2 995 310	2 935 762
VAT receivable	5	27 115 155	20 183 161
Non-current assets		761 643 644	739 381 405
Property, plant and equipment	6	760 924 359	738 662 119
Heritage assets	7	719 286	719 286
Biological assets	8	-	-
Total assets		836 153 907	795 559 757
LIABILITIES			
Current liabilities		424 890 070	373 622 884
Trade and other payables from exchange transactions	9	385 657 710	325 588 276
Consumer deposits	10	6 672 149	5 646 524
Current provisions	11	9 476 665	9 013 003
Current portion of unspent conditional grants and receipts	12	18 573 974	1 226 582
Current portion of borrowings	13	4 509 572	30 648 732
Current portion of finance lease liability	48	-	1 499 767
Non-current liabilities		117 465 288	86 056 856
Non-current provisions	14	92 368 681	85 607 147
Non current trade and other payables from exchange transactions	9	-	-
Non-current borrowings	13	24 648 732	-
Non-current finance lease liabilities	48	447 875	449 708
Total liabilities		542 355 359	459 679 739
Net assets		293 798 549	335 880 018
NETT ASSETS			
Reserves	47	2 164 229	1 697 412
Accumulated surplus / (deficit)		291 634 320	334 182 606
Total net assets		293 798 549	335 880 018

NALEDI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
REVENUE			
Revenue from exchange transactions		228 141 277	196 498 343
Service Charges	16	156 945 070	139 953 348
Rental of facilities and equipment	17	806 567	737 581
Interest earned - external investments	18	401 679	235 094
Interest earned - outstanding receivables	18	16 554 937	13 503 505
Licences and Permits		6 569 415	6 934 890
Other income	20	46 863 610	35 133 925
Revenue from non-exchange transactions		144 478 712	163 958 753
Taxation revenue			
Property Rates	15	36 775 732	34 342 232
Property rates - penalties imposed and collection charges	15	-	-
Transfer revenue			
Fines		976 737	1 481 027
Government grants and subsidies	19	106 726 243	128 135 495
TOTAL REVENUE		372 619 989	360 457 096
EXPENDITURE			
Employee related costs	21	150 959 490	140 680 868
Remuneration of councillors	22	6 560 894	6 287 777
Impairment of receivables	23	41 050 411	30 068 238
Collection costs		278 262	-
Depreciation, amortisation expense and impairment	25	38 174 203	51 423 078
Grants and subsidies paid	24	2 222 371	7 893 662
Finance costs	26	32 371 368	22 136 142
Bulk purchases	27	88 464 468	82 316 180
Repairs and maintenance		6 752 073	8 286 017
Contracted services	28	23 367 935	14 397 655
General expenses	29	23 077 355	26 675 416
TOTAL EXPENDITURE		413 278 830	390 165 032
Gain / (loss) on disposal of property, plant and equipment	30	-3 468 138	-292 048 109
Gain / (loss) on natural movement of game / animals		185 500	988 750
Gain / (loss) on disposal of Biological Assets		-	-
Gain / (loss) on borrowings redeemed		-	-
Gain / (loss) on actuarial valuation		430 441	-6 301 836
Unwinding of discounting		-125 839	1 287 132
Residual interest income		-	-
Gain / (loss) on fair value adjustment		-	-
SURPLUS / (DEFICIT) FOR THE YEAR		-43 636 877	-325 781 998

NALEDI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Note	Revaluation reserve R	Accumulated surplus / (deficit) R	Total Net assets R
2015				
Balance at 1 July 2014		2 797 286	659 789 655	662 586 940
Prior period error	34	-	-153 755	-153 755
Restated balance		2 797 286	659 635 900	662 433 186
Restated surplus / (deficit) for the year	34	-	-325 781 998	-325 781 998
PPE revalued		-771 169	-	-771 169
Capital grants used to purchase PPE		-	-	-
Offsetting of depreciation		-328 704	-	-328 704
Realisation of revaluation reserve		-	328 704	328 704
Balance at 30 June 2015		1 697 412	334 182 606	335 880 018
2016				
Changes in accounting policy	33	-	-	-
Restated balance		1 697 412	334 182 606	335 880 018
Surplus / (deficit) for the year		-	-43 636 877	-43 636 877
PPE revalued		1 555 408	-	1 555 408
Capital grants used to purchase PPE		-	-	-
Offsetting of depreciation		-1 088 591	-	-1 088 591
Realisation of revaluation reserve		-	1 088 591	1 088 591
Balance at 30 June 2016		2 164 229	291 634 320	293 798 549

NALEDI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		344 333 845	278 396 731
Cash paid to suppliers and employees		-256 653 865	-211 907 366
Cash generated from / (utilised in) operations	31	87 679 980	66 489 365
Interest received		16 956 615	13 738 599
Interest paid		-32 361 796	-22 136 142
NET CASH FROM OPERATING ACTIVITIES		72 274 799	58 091 823
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-55 485 474	-59 695 212
Proceeds on disposal of property, plant and equipment		2 008 518	2 160 285
Proceeds from sale of biological assets		-	-
(Increase) / decrease in non-current receivables		-	-
NET CASH FROM INVESTING ACTIVITIES		-53 476 955	-57 534 927
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		-1 500 000	-731 021
Repayment of finance lease liability		-	-
Decrease / (increase) in short-term loans		-	-
NET CASH FLOW FROM FINANCING ACTIVITIES		-1 500 000	-731 021
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		17 297 844	-174 125
Cash and cash equivalents at the beginning of the year		1 284 901	1 459 026
Cash and cash equivalents at the end of the year	32	18 582 745	1 284 901

NALEDI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

	2016						Explanation of significant variances greater than 10% versus budget
	Budget			Actual	Difference between final budget and actual		
	Approved	Adjustments	Final				
	R	R	R	R	R	%	
REVENUE							
Revenue from exchange transactions	225 904 470	-	225 904 470	228 141 277	2 236 807	1%	
Service Charges	199 146 870	-	199 146 870	156 945 070	-42 201 800	-21%	Mainly impact of smart meter project
Rental of facilities and equipment	1 098 000	-	1 098 000	806 567	-291 433	-27%	Mainly due to economic climate (impact of drought)
Interest earned - external investments	200 000	-	200 000	401 679	201 679	101%	Higher than expected levels of investment
Interest earned - outstanding receivables	15 000 000	-	15 000 000	16 554 937	1 554 937	10.4%	Change in interest rate
Licences and Permits	6 420 000	-	6 420 000	6 569 415	149 415	2%	-
Other income	4 039 600	-	4 039 600	46 863 610	42 824 010	1060%	Sundry creditors written-off
Revenue from non-exchange transactions	151 347 967	-	151 347 967	144 478 712	-6 869 255	-5%	
Taxation revenue							
Property Rates	41 248 967	-	41 248 967	36 775 732	-4 473 235	-11%	Drought relief to farmers
Property rates - penalties imposed and collection charges	-	-	-	-	-	0%	-
Transfer revenue							
Fines	2 501 000	-	2 501 000	976 737	-1 524 264	-61%	Non-execution of warrants outside Vryburg area
Government grants and subsidies	107 598 000	-	107 598 000	106 726 243	-871 757	-1%	-
TOTAL REVENUE	377 252 437	-	377 252 437	372 619 989	-4 632 448	-1%	
EXPENDITURE							
Employee related costs	151 218 362	-	151 218 362	150 959 490	258 872	0.2%	-
Remuneration of councillors	6 453 617	-	6 453 617	6 560 894	-107 276	-2%	-
Impairment of receivables	19 089 268	-	19 089 268	41 050 411	-21 961 143	-115%	Increase in provision due to substantial increase in debtors
Collection costs	-	-	-	278 262	-278 262	-100%	Additional assistance to increase property rates from farmers
Depreciation and amortisation expense	48 500 000	-	48 500 000	38 174 203	10 325 797	21%	Additions depreciation on infrastructure not yet accounted for
Grants and subsidies paid	1 120 000	-	1 120 000	2 222 371	-1 102 371	-98%	Transfer of DB boards from smart meter project to community
Finance costs	21 937 900	-	21 937 900	32 371 368	-10 433 468	-48%	Mainly due to increase in Eskom outstanding balance
Bulk purchases	94 537 600	-	94 537 600	88 464 468	6 073 132	6%	-
Repairs and maintenance	25 967 557	-	25 967 557	6 752 073	19 215 484	74%	Underspending mainly due to cashflow problems
Contracted services	14 680 465	-	14 680 465	23 367 935	-8 687 470	-59%	Mainly due to smart meter management fees and sewerage plant fees
General expenses	19 913 360	-	19 913 360	23 077 355	-3 163 995	-16%	Mainly due to arbitration settlement and SALGA membership fees
TOTAL EXPENDITURE	403 418 129	-	403 418 129	413 278 830	-9 860 701	-2.4%	
Gain / (loss) on disposal of PPE	-	-	-	-3 468 138	-3 468 138	-100%	Not anticipated as per budget
Gain / (loss) on natural movement of game / animals	-	-	-	185 500	185 500	100%	Not anticipated as per budget
Gain / (loss) on disposal of Biological Assets	-	-	-	-	-	0%	-
Gain / (loss) on borrowings redeemed	-	-	-	-	-	0%	-
Gain / (loss) on actuarial valuation	-	-	-	430 441	430 441	100%	Not anticipated as per budget
Unwinding of discounting	-	-	-	-125 839	-125 839	-100%	Not anticipated as per budget
Residual interest income	-	-	-	-	-	0%	-
Gain / (loss) on fair value adjustment	-	-	-	-	-	0%	-
NET SURPLUS / (DEFICIT) FOR THE YEAR	-26 165 692	-	-26 165 692	-43 636 877	-17 471 185	67%	

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:

GRAP Standard	Effective date as determined by the Minister of Finance	Possible impact on the financial statements on initial application
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of the nature and effect all related party transactions of management, their close members of family
GRAP 32 - Service Concession Arrangement: Grantor	Unknown	Disclosure and presentation of each transaction relating to service concession arrangements.
GRAP 108 - Statutory Receivables	Unknown	Full disclosure and presentation of each class of statutory receivable as prescribe by legislation.
GRAP 109 - Accounting by Principals and Agents	Unknown	Full disclosure and presentation of each transaction that relates to a principal and agent agreements, provided for on be halve of the principal of acting as the agent.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land (excluding landfill sites) is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<u>PPE category</u>	<u>Years</u>
Infrastructure	
Roads and Lights	10-40
Water Pipelines	25-50
Water Pumps, Purification and Reservoirs	30-55
Sewerage	25-30
Land	Indefinite
Landfill Site Perimeter Protection and structures	10-55
Community	
Buildings	30
Recreational Facilities	30
Cemeteries	30
Halls	30
Libraries	30
Civic Buildings	30
Other assets	15-30

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Other

Buildings	30
Office equipment	7
Furniture and fittings	7
Emergency equipment	10
Computer equipment	5
Machinery and Equipment	10-15
Official Vehicles	7
Other assets	4-15
Game / Animals	4-21

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.5 Game / Animals

Game animals are held in the nature reserve and are due to their inherent nature disclosed at fair value utilising the revaluation model and accounted for as a separate class of asset. An annual count, assessment of the remaining useful life and valuation based on market values are performed.

Subsequent to recognition, Game / Animals are measured using the revaluation amount less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. The revaluation amount is the fair value at the date of the revaluation.

Accumulated depreciation is accounted for using the elimination method. Any difference between the carrying amounts and the revaluation amounts is recognised in the revaluation surplus. In the case of a reversal of an increase in excess of the increase previously recognised in the revaluation surplus, or a reversal of a decrease previously recognised in surplus or deficit, it will be recognised in surplus or deficit.

The revaluation surplus relating to the assets will be realised over time by transferring the surplus to accumulated surplus or deficit by way of the use of the asset.

For depreciation rates on Game / animals, refer to the table as per accounting policy no 2.3 above.

3. INTANGIBLE ASSETS

3.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 Subsequent measurement

The cost model has been chosen for intangible assets.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5. NON-CURRENT ASSETS HELD FOR SALE

5.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. INVENTORIES

6.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

7. FINANCIAL INSTRUMENTS

7.1 Initial recognition

Financial instruments are initially recognized at fair value.

7.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

7.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12. LEASES

12.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2016

13. REVENUE

13.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when received.

13.4 Fines

Revenue from fines are recognized at the initial transaction date taking into account the full amount of fines. Impairment is based on the probability of collections.

14. EXPENDITURE

Expenditure is recognised once there is a decrease in economic benefits or service potential during the financial period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

15. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16. RETIREMENT BENEFITS

Defined contribution plan

The municipality provides retirement benefits for its employees and councillors. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

18. HERITAGE ASSETS

18.1 Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

18.2 Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

18.3 Depreciation and impairment

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

18.4 Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19. CAPITAL COMMITMENTS

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-end.

20. VALUE ADDED TAXATION (VAT)

The municipality accounts for value added taxation on the accrual basis.

21. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

21.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding

requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

21.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

22. REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17. All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

NALEDI LOCAL MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

23. RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	13 813	40 097
Cash at bank	2 062 693	1 203 273
Call deposits	16 506 239	41 530
	18 582 745	1 284 901

Refer to note **36.8** for a detail breakdown of call deposits.

The municipality has the following bank accounts:

Current account (Primary bank account)

FNB - Vryburg branch - Account number : 54160030382

Cash book balance at beginning of year	944 121	537 626
Cash book balance at end of year	1 847 782	944 121
Bank statement balance at beginning of year	944 121	537 626
Bank statement balance at end of year	1 847 782	944 121

Current account (Other account)

ABSA - Vryburg branch - Account number : 4070282707

Cash book balance at beginning of year	259 152	771 873
Cash book balance at end of year	214 911	259 152
Bank statement balance at beginning of year	259 152	771 873
Bank statement balance at end of year	214 911	259 152

On 1 March 2013, the municipality changed it's Primary bank account from ABSA account no 4070282707 to FNB account no 54160030382.

<u>Cash on hand</u>	13 813	40 097
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2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Gross Balances R	Provision for Doubtful Debts R	Net Balance R
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Service Receivables

As at 30 June 2016

Rates and Taxes	48 995 698	-44 016 183	4 979 515
Electricity	56 574 155	-46 504 421	10 069 734
Water	82 849 239	-81 187 580	1 661 659
Sewerage and Sanitation	31 527 183	-29 928 920	1 598 263
Refuse	35 004 499	-33 474 833	1 529 665
Other Charges	9 713 874	-9 621 947	91 928
Total	264 664 648	-244 733 883	19 930 765

As at 30 June 2015

Rates and Taxes	40 217 261	-35 573 573	4 643 688
Electricity	51 095 834	-39 597 925	11 497 909
Water	73 523 171	-71 760 445	1 762 726
Sewerage and Sanitation	27 304 247	-25 945 188	1 359 059
Refuse	30 835 887	-29 562 921	1 272 966
Other Charges	8 958 458	-8 805 257	153 201
Total	231 934 858	-211 245 309	20 689 549

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R	
	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
<u>Rates and Taxes</u>			
As at 30 June 2016			
Current (0 - 30 days)	2 765 671	-1 453 106	1 312 565
31 - 60 days	1 820 081	-1 253 708	566 372
61 - 90 days	1 763 325	-1 266 255	497 070
+91 days	42 646 621	-40 043 113	2 603 508
Total	48 995 698	-44 016 183	4 979 515
<u>Electricity</u>			
As at 30 June 2016			
Current (0 - 30 days)	4 905 679	-1 862 716	3 042 963
31 - 60 days	2 908 166	-1 781 160	1 127 006
61 - 90 days	1 899 223	-1 029 430	869 794
+91 days	46 861 086	-41 831 115	5 029 971
Total	56 574 155	-46 504 421	10 069 734
<u>Water</u>			
As at 30 June 2016			
Current (0 - 30 days)	1 019 161	-581 556	437 606
31 - 60 days	698 886	-503 860	195 027
61 - 90 days	771 918	-612 220	159 699
+91 days	80 359 273	-79 489 945	869 328
Total	82 849 239	-81 187 580	1 661 659
<u>Sewerage and Sanitation</u>			
As at 30 June 2016			
Current (0 - 30 days)	1 249 311	-722 376	526 935
31 - 60 days	874 755	-645 336	229 419
61 - 90 days	774 972	-619 310	155 662
+91 days	28 628 145	-27 941 898	686 247
Total	31 527 183	-29 928 920	1 598 263
<u>Refuse</u>			
As at 30 June 2016			
Current (0 - 30 days)	1 108 966	-620 393	488 573
31 - 60 days	724 488	-544 741	179 747
61 - 90 days	652 207	-525 233	126 973
+91 days	32 518 838	-31 784 466	734 372
Total	35 004 499	-33 474 833	1 529 665
<u>Other Charges</u>			
As at 30 June 2016			
Current (0 - 30 days)	74 336	-59 356	14 981
31 - 60 days	67 497	-57 663	9 835
61 - 90 days	63 109	-57 515	5 594
+91 days	9 508 932	-9 447 413	61 519
Total	9 713 874	-9 621 947	91 928

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<u>Summary of debtors by Customer Classification</u>		
<u>Consumers</u>		
Current (0 - 30 days)	9 481 134	11 976 102
31 - 60 days	5 667 227	8 490 060
61 - 90 days	3 337 433	3 361 748
+91 days	228 663 532	191 670 515
Sub Total	247 149 326	215 498 425
Less: Provision for doubtful debts	-231 982 542	-199 084 615
Total debtors by customer classification	15 166 785	16 413 810
<u>Government departments</u>		
Current (0 - 30 days)	1 641 990	1 415 662
31 - 60 days	1 426 646	976 778
61 - 90 days	2 587 321	1 737 214
+91 days	11 859 364	12 306 781
Sub Total	17 515 321	16 436 435
Less: Provision for doubtful debts	-12 751 341	-12 160 693
Total debtors by customer classification	4 763 980	4 275 742
<u>Reconciliation of impairment of receivables provision</u>		
Balance at beginning of the year	211 245 308	201 129 444
Contribution to provision	43 712 388	31 356 711
Impairment of receivables written off against provision	-10 223 813	-21 240 846
Reversal of provision	-	-
Balance at end of year	244 733 883	211 245 308
3. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other debtors	7 134 355	12 995 404
Prepayments	134 093	56 781
Sub Total	7 268 448	13 052 185
Less: Provision for doubtful debts	-1 382 160	-1 967 207
Total	5 886 288	11 084 978
<u>Reconciliation of impairment of receivables provision</u>		
Balance at beginning of the year	1 967 207	1 121 708
Contribution to provision	-	845 499
Impairment of receivables written off against provision	-	-
Reversal of provision	-585 047	-
Balance at end of year	1 382 160	1 967 207

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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4. INVENTORY

Opening balance of inventories:

Consumables stores - at cost	2 935 763	2 830 474
Maintenance materials – at cost	247 885	163 749
Water	2 574 887	2 532 686
	112 991	134 039

Additions:

Consumables stores - at cost	14 813 965	15 084 498
Maintenance materials – at cost	1 692 381	1 216 708
Water	1 126 831	2 141 852
	11 994 752	11 725 938

Less: Issued (expensed):

Consumables stores - at cost	14 754 418	14 979 210
Maintenance materials – at cost	1 634 360	1 132 572
Water	1 112 705	2 099 651
	12 007 354	11 746 987

Closing balance of inventories:

Consumables stores - at cost	2 995 310	2 935 762
Maintenance materials – at cost	305 907	247 885
Water	2 589 013	2 574 887
	100 390	112 990

The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventory is measured at the lower of cost and net realisable value.

5. VAT RECEIVABLE

VAT receivable	<u>27 115 155</u>	<u>20 183 161</u>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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6. PROPERTY, PLANT AND EQUIPMENT

Refer **note 51** for reconciliation of carrying value.

6.1 Assessed residual value

In terms of GRAP 17 management assessed the residual value and useful life of all property, plant and equipment. For the period under review the residual values of all property, plant and equipment (except for official vehicles and machinery and equipment) were assessed at zero, as the economic life of these assets are greater than the useful life.

6.2 Methods and assumptions used in determining the fair value

Game / animals

The fair value assessment was determined by SA Auctioneers, an independent expert / valuer on the market values of game, taking into account the relevant market values of the respective breeding / family groups. The effective date of the valuation was 30 June 2016. SA Auctioneers are independent and are not connected to the municipality or any of its councillors or officials.

Game / animals are re-valued independently every year.

Land and buildings were revalued to fair value by using market values. Market values were determined utilising recent market transactions on arm's length terms.

7. HERITAGE ASSETS

7.1 Reconciliation of carrying value

Cost / Valuation	719 286	719 286
Acquisitions	-	-
Decrease due to sales	-	-
Gains / losses from change in fair value	-	-
Other movements	-	-
	719 286	719 286

8. BIOLOGICAL ASSETS

8.1 Reconciliation of carrying value

Cost / Valuation	-	-
Acquisitions	-	-
Decrease due to sales	-	-
Gains / losses from change in fair value	-	-
Other movements	-	-
	-	-

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	325 840 536	266 266 514
Payments received in advance	-	-
Retentions and guarantees	4 661 072	4 311 829
Staff leave accrual	7 123 970	6 248 114
Bonus accrual	2 664 889	2 543 734
Other creditors	45 367 243	46 218 084
Total trade and other payables from exchange transactions	385 657 710	325 588 276
Less: Current portion transferred to current liabilities	-385 657 710	-325 588 276
Total non-current trade and other payables from exchange transactions	-	-

The movement in staff leave accrual above are reconciled as follows:

Balance at beginning of year	6 248 114	4 952 731
Contribution to provision	1 755 121	1 672 780
Expenditure incurred	-879 264	-377 397
Balance at end of year	7 123 970	6 248 114

The movement in bonus accrual above are reconciled as follows:

Balance at beginning of year	2 543 734	2 423 448
Contribution to provision	6 401 443	5 877 187
Expenditure incurred	-6 280 288	-5 756 901
Balance at end of year	2 664 889	2 543 734

The fair value of trade and other payables approximates their carrying amounts.

10. CONSUMER DEPOSITS

Water and Electricity	6 672 149	5 646 524
Total consumer deposits	6 672 149	5 646 524

11. CURRENT PROVISIONS

Current portion of long-service awards	1 113 696	1 060 631
Current portion of continued medical aid	1 211 874	1 078 647
Rehabilitation of landfill sites	7 119 476	6 842 106
Litigations	31 619	31 619
Total current provisions	9 476 665	9 013 003

Refer to **note 14** for non-current portion and key assumptions on long-service awards.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

12.1 Conditional grants from other spheres of government

Municipal Infrastructure Grant	19.2	18 573 974	961 163
Dr Ruth S Mompati District Municipality Grant	19.3	-	265 419
INEP Grant	19.4	-	-
Finance Management Grant	19.5	-	-
Department of Sports, Arts and Culture Grant	19.6	-	-
Municipal Systems Improvement Grant	19.7	-	-
Expanded Public Works Programme Grant	19.8	-	-
LG Seta Grant	19.9	-	-
Department of Energy Grant (SANEDI)	19.10	-	-
Fire Grant	19.11	-	-

Total unspent conditional grants and receipts

18 573 974	1 226 582
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Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts

-	-
18 573 974	1 226 582

See **Note 19** for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

13. BORROWINGS

DBSA Loans	29 158 304	30 648 732
Sub-total	29 158 304	30 648 732
Less: Current portion transferred to current liabilities	-4 509 572	-30 648 732
DBSA Loans	4 509 572	30 648 732
Total Non-Current Borrowings	24 648 732	-

Refer to **Appendix A** for more detail on borrowings.

Refer **Note 52** for detail regarding DBSA Loans in default.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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14. NON-CURRENT PROVISIONS

Long-service awards	8 894 333	7 927 669
Continued medical aid	53 857 352	48 455 125
Rehabilitation of landfill sites	4 841 373	4 448 730
Litigations	24 775 623	24 775 623
Total non-current provisions	92 368 681	85 607 147

The movement in non-current provisions are reconciled as follows:

14.1 Long-service awards

Balance at beginning of year	8 988 300	7 942 534
Contributions to provision	1 742 403	1 571 127
Increase / (decrease) in provision due to actuarial valuation	343 101	395 868
Expenditure incurred	-1 065 775	-921 229
	10 008 029	8 988 300
Transfer to current provision	-1 113 696	-1 060 631
Balance at end of year	8 894 333	7 927 669

14.1.1 Members information

The long service award is a defined benefit plan of which the following employees are eligible:

In-service (employee) members	462	481
Total Members	462	481

The liability in respect of past service has been estimated to be as follows:

In-service members	10 008 029	8 988 300
Total Liability	10 008 029	8 988 300

14.1.2 Actuarial adjustments were calculated as follows

Change in basis	9 882	494 034
Experience	333 219	-98 166
Actuarial (Gain) / Loss	343 101	395 868

14.1.3 Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R 1,065,899 whereas the Interest Cost for the next year is estimated to be R 840,894.

14.1.4 Key Actuarial Assumptions used

Interest Rate

Discount rate	8.89%	8.33%
General Inflation	6.52%	5.95%
Salary Inflation	7.52%	6.95%
Real Rate (GAP)	1.27%	1.28%

Mortality Rates

Pre-retirement mortality as per SA85-90 (light) table, rated down by 3 years for Female members.

Normal Retirement age

Normal retirement age is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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14.1.5 Sensitivity Analysis

	Liability	Cost (Saving)	% Change
Discount Rate			
Current Assumption (8.89%)	10 008 029		
-1% (7.89%)	10 762 187	754 158	8%
+1% (9.89%)	9 338 626	-669 403	-7%
Retirement			
Current Assumption (Retire 63 years)	10 008 029		
Retire at 61	8 900 456	-1 107 573	-11%
Retire at 65	11 148 590	1 140 561	11%

14.1.6 Reconciliation of present value of fund obligation

Balance at beginning of year	8 988 300	7 942 534
Current Service Cost	994 089	898 797
Interest Cost	748 314	672 330
Actuarial (Gain)/Loss	343 101	395 868
Liability settlements	-1 065 775	-921 229
Balance at end of year	10 008 029	8 988 300

14.2 Continued medical aid

Balance at beginning of year	49 533 772	37 388 271
Contributions to provision	7 363 163	5 766 976
Increase / (decrease) in provision due to actuarial valuation	-773 542	7 350 713
Expenditure incurred	-1 054 167	-972 188
	55 069 226	49 533 772
Transfer to current provision	-1 211 874	-1 078 647
Balance at end of year	53 857 352	48 455 125

14.2.1 Members information

The continued medical aid is a defined benefit plan of which the members are made up as follows:

In-service (employee) members	239	243
Continuation members	31	31
Total Members	270	274

The liability in respect of past service has been estimated to be as follows:

In-service members	41 375 066	36 702 845
Continuation members	13 694 160	12 830 927
Total Liability	55 069 226	49 533 772

14.2.2 Actuarial adjustments were calculated as follows

Change in basis	200 800	5 807 802
Experience	-974 342	1 542 911
Actuarial (Gain) / Loss	-773 542	7 350 713

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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14.2.3 The municipality makes monthly contributions for health care arrangements to the following medical aid schemes

Bonitas
 LA Health
 Key Health
 Samwumed

14.2.4 Future service and interest cost estimation

The Future-service Cost for the next year is estimated to be R3,276,864 whereas the Interest Cost for the next year is estimated to be R5,306,925

14.2.5 Sensitivity Analysis

	Liability	Cost (Saving)	% Change
Discount Rate			
Current Assumption (9.74%)	55 069 226		
-1% (8.74%)	65 989 112	10 919 886	20%
+1% (10.74%)	46 560 361	-8 508 865	-15%
Mortality			
Current Assumption (Pa90-1)	55 069 226		
Pa90 standard	53 008 314	-2 060 912	-4%
Pa90-2	57 157 468	2 088 242	4%
Retirement			
Current Assumption (Retire 63 years)	55 069 226		
Retire at 61	63 526 540	8 457 314	15%
Retire at 65	47 571 164	-7 498 062	-14%

14.2.6 Key Actuarial Assumptions used

Interest Rate

Discount rate	9.74%	8.91%
General Inflation	7.26%	6.42%
Medical Inflation	8.76%	7.92%
Real Rate (GAP) - Post Retirement Interest Rate	0.90%	0.92%

Mortality Rates

Pre-retirement mortality as per SA85-90 (light) table.

Post-retirement mortality as per PA (90) tables rated down by 1 year

Normal Retirement age

Normal retirement age is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

14.2.7 Reconciliation of present value of fund obligation

Balance at beginning of year	49 533 772	37 388 271
Current Service Cost	2 995 665	2 194 142
Interest Cost	4 367 498	3 572 834
Actuarial (Gain)/Loss	-773 542	7 350 713
Liability settlements	-1 054 167	-972 188
Balance at end of year	55 069 226	49 533 772

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
14.3 Rehabilitation of landfill sites		
Balance at beginning of year	11 290 837	9 640 394
Contributions to provision	544 174	2 084 597
Increase / (decrease) in provision due to discounting	125 839	-434 154
Expenditure incurred	-	-
	11 960 850	11 290 837
Transfer to current provision	-7 119 476	-6 842 106
Balance at end of year	4 841 373	4 448 730

Key assumptions

The timing for the possible outflow of resources for the rehabilitation for the landfill site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- 1) Environmental impact process for establishment of solid waste disposal site
- 2) Supply and operation of machinery to transfer refuse
- 3) Sloping and spreading of slopes and ground work, including manual hand labour

An average inflation rate of 6.23% as per MFMA Circular 79 and a discount rate of 9.02 % / 9.39 % as per the R186 / R 213 Government Bond rate was used to calculate the obligation at year-end.

14.4 Litigations

Balance at beginning of year	24 775 623	27 045 418
Contributions to provision	-	-
Write-off on settlement / reversal	-	-2 269 795
Expenditure incurred	-	-
	24 775 623	24 775 623
Transfer to current provision	-	-
Balance at end of year	24 775 623	24 775 623

14.4.1 Telkom SA Ltd

The municipality damaged Telkom cables for which Telkom has issued a summons on 2 November 2010. The claim relates to the period prior to 30 June 2011. Telkom has sent the municipality a settlement agreement in the 2013/14 financial year. The matter is expected to be settled by 30 June 2016.

14.4.2 Fynbosland 435 cc

The municipality allegedly did not pay outstanding claims on the housing project for which Fynbosland 435 cc has issued a notice of motion on 25 September 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2016.

14.4.3 WF van der Ryst

The municipality allegedly damaged the plaintiff's cables for which WF van der Ryst has issued a summons on 12 November 2010. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2016.

31 619	31 619
24 000 000	24 000 000
60 000	60 000

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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14.4.4 Mrs BS Nsedame

100 000

100 000

The municipality allegedly falsely accused the plaintiff for which Mrs BS Nsedame has issued a summons on 13 August 2009. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2016.

14.4.5 Cape Joint Pension Fund

615 623

615 623

The municipality allegedly failed to pay funds over to the pension fund for which Cape Joint Pension Fund has issued a summons on 27 June 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2016.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
15. PROPERTY RATES		
Actual		
Residential	10 716 794	9 792 480
Commercial	17 993 035	16 702 654
State	8 065 903	7 847 098
Total property rates	36 775 732	34 342 232
Property rates - penalties imposed and collection charges	-	-
Total	36 775 732	34 342 232
Valuations		
Residential	2 144 808 867	2 141 191 462
Businesses	959 374 975	912 716 440
Industrial	128 243 000	127 838 000
Agricultural	4 206 391 150	4 134 789 150
Government	432 089 000	432 089 000
Total	7 870 906 992	7 748 624 052
<p>Valuations on land and buildings are performed every four years. The new general valuation (GV) roll came into effect on 1 July 2014. The MPRA objection and appeals process of the GV were finalised during April 2015. Supplementary valuation roll 1 was completed in May 2015 and the MPRA process started, effective only during 2015/2016. Supplementary valuation roll 2 was completed in March 2016 and the MPRA process started, effective only during 2016/2017. The following rates are applied to property valuations to determine annual assessment rates:</p>		
Residential	0.00635	0.00606
Businesses	0.01269	0.01211
Industrial	0.01269	0.01211
Agricultural	0.00158	0.00151
Agricultural : Businesses	0.00318	0.00303
Government	0.01905	0.01817
16. SERVICE CHARGES		
Sale of electricity	112 808 230	97 549 333
Sale of water	14 131 032	13 707 142
Refuse removal	14 564 527	14 257 924
Sewerage and sanitation charges	15 441 282	14 438 949
Total service charges	156 945 070	139 953 348
17. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	785 434	728 932
Rental of equipment	21 133	8 649
Total rentals	806 567	737 581
18. INTEREST EARNED		
External investments	401 679	235 094
Outstanding receivables	16 554 937	13 503 505
Total interest	16 956 615	13 738 599

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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19. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	39 619 000	36 699 000
Municipal Infrastructure Grant	28 231 189	30 627 419
Dr Ruth S Mompoti District Municipality Grant	16 821 456	21 397 559
INEP Grant	8 917 196	20 266 367
Finance Management Grant	1 600 000	1 600 000
Department of Sports, Arts and Culture Grant	1 450 000	497 250
Municipal Systems Improvement Grant	930 000	934 000
Expanded Public Works Programme Grant	1 876 000	1 846 000
LG Seta Grant	195 321	653 981
Department of Energy Grant (SANEDI)	7 086 081	12 913 919
Fire Grant	-	700 000
Total government grants and subsidies	106 726 243	128 135 495

19.1 Equitable share

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

39 619 000	36 699 000
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19.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	961 163	10 846 582
Current year receipts	45 844 000	30 051 000
Net balance claimed against debtor / creditor	-	-9 309 000
Conditions met - transferred to revenue	-28 231 189	-30 627 419
Conditions still to be met - transferred to liabilities (see Note 12)	18 573 974	961 163

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

19.3 Dr Ruth S Mompoti District Municipality Grant

Balance unspent at beginning of year	265 419	2 495 400
Current year receipts	16 556 037	19 167 578
Net balance claimed against debtor	-	-
Conditions met - transferred to revenue	-16 821 456	-21 397 559
Conditions still to be met - transferred to liabilities (see Note 12)	-	265 419

The district municipality assists the local municipality with this grant when it is in need. No funds have been withheld.

19.4 INEP Grant

Balance unspent at beginning of year	-	5 861 123
Current year receipts	15 000 000	8 000 000
Net balance claimed against debtor / creditor	-6 082 804	6 405 244
Conditions met - transferred to revenue	-8 917 196	-20 266 367
Conditions still to be met - transferred to liabilities (see Note 12)	-	-

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwelling, the installation on bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. No funds have been withheld.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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19.5 Finance Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	-1 600 000	-1 600 000

Conditions still to be met - transferred to liabilities (see Note 12)	-	-
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This grant is used to fund the financial operations of the municipality. No funds have been withheld.

19.6 Department of Sport, Art and Culture Grant

Balance unspent at beginning of year	-	497 250
Current year receipts	1 450 000	-
Conditions met - transferred to revenue	-1 450 000	-497 250

Conditions still to be met - transferred to liabilities (see Note 12)	-	-
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To facilitate mass participation within communities and schools. No funds have been withheld.

19.7 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to revenue	-930 000	-934 000

Conditions still to be met - transferred to liabilities (see Note 12)	-	-
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This grant is used to fund training of municipal staff. No funds have been withheld.

19.8 Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 876 000	1 846 000
Conditions met - transferred to revenue	-1 876 000	-1 846 000

Conditions still to be met - transferred to liabilities (see Note 12)	-	-
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This grant is used to fund labour based capital expansion programs. No funds have been withheld.

19.9 LG Seta Grant

Balance unspent at beginning of year	-	-
Current year receipts	195 321	653 981
Conditions met - transferred to revenue	-195 321	-653 981

Conditions still to be met - transferred to liabilities (see Note 12)	-	-
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This grant is used to fund training of community members. No funds have been withheld.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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19.10 Department of Energy Grant (SANEDI)

Balance unspent at beginning of year	-	-
Current year receipts	8 000 000	12 000 000
Net balance claimed against debtor / creditor	-913 919	913 919
Conditions met - transferred to revenue	-7 086 081	-12 913 919

Conditions still to be met - transferred to liabilities (see Note 12)

-	-
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This grant is used to fund the implementation of the municipality's smart electricity meter program. No funds have been withheld.

19.11 Fire Grant

Balance unspent at beginning of year	-	700 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-700 000

Conditions still to be met - transferred to liabilities (see Note 12)

-	-
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This grant is used to fund the replacement of fire equipment. No funds have been withheld.

19.12 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
20. OTHER INCOME		
Valuation certificates	11 090	9 518
Salary deductions commission	266 192	201 786
Bid document fees	70 132	35 670
Surplus cash	29	1 279
Insurance claims received	1 158 894	-
Sundry creditors written-off	33 743 306	2 712 203
PPE transfer received	8 142 544	29 907 854
Reversal of unwinding of discounting	-	-
Selling of game/hunting packages	199 794	-
Entrance fees	144 201	188 818
Advertisement fees	20 595	3 129
Commission on sales	1 045 817	685 445
Library: Lost books	-	-
Membership fees	-	660
Photocopy charges	4 515	7 702
Cemetery fees	259 236	240 659
Roadworthy certificates	437 145	378 570
Reversal of impairment of other receivables	585 047	-
Private works	-	-
Availability fees	194 931	355 057
Re-connection fees	7 826	79 839
Parking meters	-	20 168
Business registration fees	12 983	11 031
Sale of plans	21 496	22 239
Sub-division fees	288 246	86 410
Servitude Fees	-	-
Building plan fees	153 951	178 412
Sundry income	95 641	7 475
Total other income	46 863 610	35 133 925

PPE transfer received in the previous year consists of infrastructure projects and moveable assets transferred to the municipality from the District Municipality, NW Department of Roads and local businesses.

21. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and wages	93 379 658	86 896 724
Employee related costs - Contributions to UIF, pensions and medical	22 529 095	20 485 695
Travel and motor car allowances	10 948 216	10 271 274
Housing benefits and allowances	1 570 852	674 274
Overtime payments	7 611 536	7 793 600
Performance and other bonuses	6 401 443	5 877 187
Long-service awards	994 089	752 062
Continued medical aid contributions	2 988 946	3 659 194
Other employee related costs	4 535 656	4 270 857
Total employee related costs	150 959 490	140 680 868

There were no advances to employees.

Remuneration of the Municipal Manager

Annual remuneration	1 005 210	954 475
Performance and other bonuses	-	-
Travel allowance	211 840	201 484
Contributions to UIF, medical and pension funds	208 921	200 428
Total	1 425 971	1 356 387

Remuneration of the Chief Financial Officer

Annual remuneration	828 618	791 038
Performance and other bonuses	-	-
Travel allowance	499 148	474 746
Contributions to UIF, medical and pension funds	15 062	14 442
Total	1 342 828	1 280 226

Remuneration of individual executive managers

Remuneration of individual executive managers are reflected in **note 49**.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
22. REMUNERATION OF COUNCILLORS		
Mayor	743 553	711 532
Speaker	574 009	544 267
Executive committee members	1 604 234	1 529 091
Councillors	3 093 421	2 907 860
Councillors' pension, medical aid and SDL contributions	545 677	595 027
Total councillors' remuneration	6 560 894	6 287 777
In-kind benefits		
The Mayor is full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle with one driver for official duties.		
<u>Remuneration of individual councillors</u>		
Remuneration of individual councillors are reflected per Note 50 .		
23. IMPAIRMENT OF RECEIVABLES		
The movement in provision of receivables is set out below:		
Increase in provision of receivables	41 050 411	30 068 238
Total impairment of receivables	41 050 411	30 068 238
24. GRANTS AND SUBSIDIES PAID		
Donations	2 624	19 850
Community bursaries	3 600	19 000
Community capacity building and training	-	18 500
LED projects	22 922	285 545
Pauper burials	2 233	3 150
Transfers to community members	1 774 512	-
Naledi Animal Shelter	60 000	60 000
Disaster relief aid	-	5 149
District Municipality Asset Grant	304 619	2 632 567
SANRAL Asset Grant	-	4 728 852
Refuse bags	51 861	121 050
Refuse bins	-	-
Total grants and subsidies paid	2 222 371	7 893 662
25. DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment - Depreciation	37 159 611	45 517 121
Property, plant and equipment - Impairment losses	1 014 592	5 905 957
Total depreciation and amortisation	38 174 203	51 423 078
26. FINANCE COSTS		
Borrowings	9 572	-
Trade creditors	27 063 459	17 561 576
SARS	-	93 102
Other creditors	1 142	17 416
Finance lease liability	181 383	218 884
Actuarial valuations	5 115 812	4 245 164
Total finance costs	32 371 368	22 136 142

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
27. BULK PURCHASES		
Electricity	76 402 080	70 900 863
Water	12 062 388	11 415 317
Total bulk purchases	88 464 468	82 316 180
<u>Distribution Losses</u>		
Electricity		
Electricity Purchased (MWh)	91 951	94 574
Electricity Sold (MWh)	-84 310	-79 529
Total loss Incurred (MWh)	7 641	15 045
Average Cost per MWh	834.15	745.69
Total Loss (R)	6 373 649	11 218 757
Water		
Water Purchases and pumped (KL)	8 819 025	8 642 017
Water Purchased Loss (KL)	1 683 281	1 473 447
Water Pumping Loss (KL)	2 285 280	1 983 360
Total Loss Incurred (KL)	3 968 561	3 456 807
Average Cost per KL purchased	3.22	3.18
Average Cost per KL pumped	0.92	0.89
Total Loss (R)	7 530 532	6 455 566
28. CONTRACTED SERVICES		
Security services	3 741 389	3 000 772
Forensic investigating services	-	-
Accounting services	2 605 608	254 776
Payroll services	-	-
Valuation services	-	432 352
Meter reading services	388 601	397 742
Recruitment services	-	-
Employee training services	-	-
OHS Services	32 944	-
Performance information services	-	-
Professional Services - Transfer costs	-	-
Contracted Workers	7 168 692	3 614 904
Contracted Services	73 440	12 077
Smart Meter Management Services	2 993 360	-
Bulk water provision services	567 000	1 675 185
Refuse removal services	1 109 098	783 891
Sewerage removal services	2 614 678	1 856 787
Business plans and feasibility services	-	-
Professional Fees	11 156	23 793
Architectural services	-	9 000
Professional Services	2 061 970	2 336 376
Total contracted services	23 367 935	14 397 655

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
29. GENERAL EXPENSES		
Included in general expenses are the following:		
Advertising	259 859	305 569
Antiseptics and medication	-	-
Audit fee	2 908 070	2 142 399
Bank charges	364 546	444 764
Books and publications	5 228	-
Chemicals	127 800	152 281
Cleaning materials and consumables	99 814	98 025
Congresses and conferences	8 000	47 739
Community functions	114 235	61 476
Community functions/IDP	13 800	33 322
Commission paid on sales	-	-
Employee assistance program	39 364	127 180
Employee bursaries	68 367	175 919
Employee furniture removal costs	-	15 765
Employee sports program	269 972	393 987
Employee arbitration cases	47 168	87 491
Employee accommodation incentive	-	37 212
Employee OHS assessments	350	6 919
Electricity	1 787 025	4 099 865
Entertainment - Councillors	-	-
Entertainment - Officials	-	-
Gardening expenses	-	2 804
Grave markers and consumables	2 236	1 781
Insurance premiums	1 308 638	1 296 319
Internet charges	-	12 978
Mayoral inauguration	-	-
Kitchen ware and cutlery	645	342
Licenses : Radios	-	-
Licenses: Other	-	-
Legal expenses	407 907	194 992
Machinery : Fuel and oil	94 253	85 621
Material	-	-
Membership fees : Societies	1 665 313	1 258 741
Pest control	-	435
Postage stamps and telegraphs	717 437	687 154
Printing and stationery	1 692 381	1 482 609
Promotion and marketing	145 938	94 800
Refreshments and meals	182 834	159 504
Rental : Equipment	139 131	753 674
Rental : Office	-	-
SARS Penalties	-	8 692
Salt Feed and Medicine	5 758	75
Small tools and equipment	165 296	85 834
Software expenses	792 594	888 630
Special projects	60 252	54 599
Sundry expences	1 192 229	24 739
Telephone	2 254 223	1 943 969
Title deed search	4 940	6 186
Training and courses	298 843	1 896 485
Travel and subsistence : Councillors	150 326	195 674
Travel and subsistence : Officials	1 139 089	2 119 960
Travel and subsistence : Interviews	5 255	28 744
Uniforms and protective clothing	31 317	406 827
Vehicles : Fuel and oil	2 207 816	2 388 847
Vehicles : Licenses	221 771	171 556
Rental: Vehicles	432 263	376 746
Water supply	-	-
Ward Committee Stipends	981 710	894 850
Workmans compensation	663 360	921 339
	23 077 355	26 675 416

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
30. GAIN / (LOSS) ON DISPOSAL OF PPE		
Property, plant and equipment	-3 468 138	-292 048 109
Total gain / (loss) on disposal of PPE	-3 468 138	-292 048 109
31. CASH GENERATED BY OPERATIONS		
Deficit for the year	-43 636 877	-325 781 998
Adjustment for:		
Depreciation and amortisation	38 174 203	51 423 078
Sundry creditors written-off	-33 743 306	-2 712 203
Gain / (loss) on disposal of property, plant and equipment	3 468 138	292 048 109
Property, plant and equipment transfer received	-8 142 544	-29 907 854
(Increase) / decrease in natural movement of game / animals	-185 500	-988 750
(Increase) / decrease in landfill site provision movement	-544 174	-2 937 575
Contribution to provisions	7 225 196	12 582 437
Fair value adjustments	-	-
Impairment of receivables	33 488 575	10 115 864
Finance costs	32 371 368	22 136 142
Interest earned	-16 956 615	-13 738 599
Operating surplus before working capital changes:	11 518 464	12 238 649
(Increase)/decrease in trade receivables	-32 729 790	-5 397 500
(Increase)/decrease in other receivables	38 941 996	-3 811 271
(Increase)/decrease in inventory	-59 548	-105 288
(Increase)/decrease in VAT receivable	-6 931 994	-3 562 955
Increase/(decrease) in trade payables	60 069 434	84 907 321
Increase/(decrease) in consumer deposits	1 025 625	1 766 475
Increase/(decrease) in conditional grants and receipts	17 347 392	-19 173 773
Increase/(decrease) in finance lease liability	-1 501 601	-372 291
Cash generated by / (utilised in) operations	87 679 980	66 489 365
32. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following :		
Bank balances and cash	2 076 506	1 243 371
Short term investments	16 506 239	41 530
Total cash and cash equivalents	18 582 745	1 284 901
33. CHANGE IN ACCOUNTING POLICY		

No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

34. CORRECTION OF ERROR

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the correction of errors:

Previous disclosure	Restated disclosure	Correction of Error
R	R	R

Statement of Financial Position

Current assets	55 913 196	56 178 352	265 155
Cash and cash equivalents	1 284 901	1 284 901	-
Trade and other receivables from exchange transactions	20 689 549	20 689 549	-
Other receivables from non-exchange transactions	11 120 880	11 084 978	-35 902
Inventories	2 935 762	2 935 762	-
VAT receivable	19 882 104	20 183 161	301 057
Non-current assets	739 381 405	739 381 405	-
Property, plant and equipment	738 662 119	738 662 119	-
Heritage assets	719 286	719 286	-
Biological assets	-	-	-
Total Assets	795 294 601	795 559 757	265 155
Current liabilities	371 150 116	373 622 885	2 472 769
Trade and other payables from exchange transactions	323 115 508	325 588 277	2 472 769
Consumer deposits	5 646 524	5 646 524	-
Current provisions	9 013 003	9 013 003	-
Current portion of unspent conditional grants and receipts	1 226 582	1 226 582	-
Current portion of borrowings	30 648 732	30 648 732	-
Current portion of finance lease liability	1 499 767	1 499 767	-
Non-current liabilities	86 056 856	86 056 856	-
Non-current provisions	86 056 856	86 056 856	-
Non-current borrowings	-	-	-
Total Liabilities	457 206 972	459 679 740	2 472 769
Net assets	338 087 629	335 880 017	-2 207 614
Net assets	338 087 631	335 880 018	-2 207 613
Reserves	1 697 412	1 697 412	-
Accumulated surplus / (deficit)	336 390 219	334 182 606	-2 207 613

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R

Previous disclosure	Restated disclosure	Correction of Error
R	R	R

Statement of Financial Performance

Revenue	360 457 097	360 457 097	-
Property Rates	34 342 232	34 342 232	-
Property rates - penalties imposed and collection charges	-	-	-
Service Charges	139 953 348	139 953 348	-
Rental of facilities and equipment	737 581	737 581	-
Interest earned - external investments	235 094	235 094	-
Interest earned - outstanding receivables	13 503 505	13 503 505	-
Fines	1 481 027	1 481 027	-
Licences and Permits	6 934 890	6 934 890	-
Government grants and subsidies	128 135 495	128 135 495	-
Other income	35 133 925	35 133 925	-
Expenses	388 111 174	390 165 032	2 053 859
Employee related costs	140 488 547	140 680 868	192 321
Remuneration of councillors	6 287 777	6 287 777	-
Impairment of receivables	30 068 238	30 068 238	-
Collection costs	-	-	-
Depreciation and amortisation expense	51 423 078	51 423 078	-
Grants and subsidies paid	7 763 962	7 893 662	129 700
Finance costs	22 126 750	22 136 142	9 392
Bulk purchases	82 316 378	82 316 180	-198
Repairs and maintenance	8 186 800	8 286 017	99 217
Contracted services	12 476 163	14 397 655	1 921 492
General expenses	26 973 481	26 675 416	-298 065
Other items	-297 361 195	-297 361 195	-
Gain / (loss) on disposal of PPE	-292 048 109	-292 048 109	-
Gain / (loss) on natural movements of game / animals	988 750	988 750	-
Gain / (loss) on disposal of Biological Assets	-	-	-
Gain / (loss) on borrowings redeemed	-	-	-
Gain / (loss) on actuarial valuation	-6 301 836	-6 301 836	-
Gain / (loss) on fair value adjustment	-	-	-
Suplus / deficit for the year	-325 015 272	-327 069 130	-2 053 859

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R

Effect of restatement on 2014/15	Effect of restatement on 2013/14	Total effect of restatement
R	R	R

34.1 Other receivables from non-exchange transactions

During the year it was noted that the other receivables from non-exchange transactions was previously overstated in the 2014/15 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Decrease in other receivables from non-exchange transactions	35 902	-	35 902
Increase in trade and other payables from exchange transactions	22 286	-	22 286
Increase in accumulated surplus / (deficit)	-	67 533	67 533

Statement of financial performance

Increase in employee related costs	192 320	-	192 320
Increase in finance costs	9 392	-	9 392
Decrease in bulk purchases	198	-	198
Decrease in general expenses	120 365	-	120 365

34.2 VAT receivable

During the year it was noted that VAT receivable was previously understated in the 2013/14 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in VAT receivable	-	-	-
Decrease in trade and other payables from exchange transaction	-	-	-

34.3 Trade and other payables from exchange transactions

During the year it was noted that the trade and other payables from exchange transactions balance was previously overstated in the 2014/15 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

Statement of financial position

Increase in trade and other payables from exchange transaction	2 472 768	-	2 472 768
Increase in other receivables from non-exchange transactions	22 286	-	22 286
Decrease in accumulated surplus / (deficit)	-	221 288	221 288
Increase in VAT receivable	301 057	-	301 057

Statement of financial performance

Increase in contracted services	1 921 493	-	1 921 493
Increase in repairs and maintenance	99 217	-	99 217
Increase in grants and subsidies paid	129 700	-	129 700
Decrease in general expenses	177 700	-	177 700

No further adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the correction of errors.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
35.1 Unauthorized expenditure		
Balance brought forward	107 105 789	54 322 627
Unauthorized expenditure current year	56 528 725	52 783 162
Condoned or written-off by council	-107 105 789	-
Recovery of unauthorized expenditure	-	-
Balance carried forward	56 528 725	107 105 789
35.1.1 Over expenditure on operating budget for the 2013/14 year	-	26 474 696
The unauthorized expenditure relates to the 2013/14 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorized expenditure was investigated, presented to council in the 2015/16 financial year and authorized through a special adjustments budget as per council resolution no 292/2016.		
35.1.2 Over expenditure on capital budget for the 2013/14 year	-	9 457 075
The unauthorized expenditure relates to the 2013/14 financial year regarding over-expenditure on individual capital expenditure votes. The unauthorized expenditure was investigated, presented to council in the 2015/16 financial year and authorized through a special adjustments budget as per council resolution no 292/2016.		
35.1.3 Unspent conditional grants not cash backed for the 2013/14 year	-	18 390 856
The unspent conditional grant balance at the 2013/14 financial year-end was not cash backed due to cash flow problems. The unauthorized expenditure was investigated, presented to council in the 2015/16 financial year and authorized through a special adjustments budget as per council resolution no 292/2016.		
35.1.4 Over expenditure on operating budget for the 2014/15 year	-	19 674 301
The unauthorized expenditure relates to the 2014/15 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorized expenditure was investigated, presented to council in the 2015/16 financial year and authorized through a special adjustments budget as per council resolution no 292/2016.		
35.1.5 Over expenditure on capital budget for the 2014/15 year	-	26 703 617
The unauthorized expenditure relates to the 2014/15 financial year regarding over-expenditure on individual capital expenditure votes. The unauthorized expenditure was investigated, presented to council in the 2015/16 financial year and authorized through a special adjustments budget as per council resolution no 292/2016.		
35.1.6 Over expenditure on INEP funded project for the 2014/15 year	-	6 405 244
The unauthorized expenditure relates to the 2014/15 financial year regarding over-expenditure on INEP funded projects. The unauthorized expenditure was investigated, presented to council in the 2015/16 financial year and authorized through a special adjustments budget as per council resolution no 292/2016.		

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
35.1.7 Over expenditure on operating budget for the 2015/16 year	28 971 325	-
The unauthorized expenditure relates to the 2015/16 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.1.8 Over expenditure on capital budget for the 2015/16 year	27 234 960	-
The unauthorized expenditure relates to the 2015/16 financial year regarding over-expenditure on individual capital expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.1.9 Over expenditure on INEP funded project for the 2015/16 year	322 440	-
The unauthorized expenditure relates to the 2015/16 financial year regarding over-expenditure on INEP funded projects. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.2 Fruitless and wasteful expenditure		
Balance brought forward	32 316 980	14 645 586
Fruitless and wasteful expenditure current year	27 074 173	17 671 394
Condoned or written-off by council	-	-
Recovery of fruitless and wasteful expenditure	-	-
Balance carried forward	59 391 153	32 316 980
35.2.1 Penalties and interest for the 2012/13 year	687 639	687 639
The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2012/13 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.2.2 Penalties and interest for the 2013/14 year	13 957 947	13 957 947
The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2013/14 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.2.3 Penalties and interest for the 2014/15 year	17 671 394	17 671 394
The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, Eskom and other payables in the 2014/15 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.2.4 Penalties and interest for the 2015/16 year	27 074 173	-
The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to Eskom and other payables in the 2015/16 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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35.3 Irregular expenditure

Balance brought forward	153 735 253	151 294 378
Irregular expenditure current year	-	2 440 875
Condoned or written-off by council	-	-
Recovery of irregular expenditure	-	-

Balance carried forward

153 735 253	153 735 253
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35.3.1 Procurement not in line with SCM for the 2009/10 year

17 560 592	17 560 592
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The irregular expenditure relates to procurement in the 2009/10 financial year not in line with SCM Regulations. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.2 Procurement on housing project not in line with SCM for the 2009/10 year

79 690 499	79 690 499
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The irregular expenditure relates to procurement on the housing project in the 2009/10 financial year not in line with SCM Regulations. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.3 Procurement not in line with SCM for the 2012/13 year

7 671 878	7 671 878
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The following irregular expenditure relates to procurement in the 2012/13 financial year not in line with SCM Regulations:

a) Goods and services (Between R30,000 and R200,000) to the value of R194,805.08 were acquired not in terms of regulation 12 of the Municipal Supply Chain Management Regulations.

b) Goods and services (Between R2,000 and R30,000) to the value of R70,485.98 were acquired not in terms of regulation 12 of the Municipal Supply Chain Management Regulations.

c) Contract no NLM2013-033A - Supply and Installation of Endpoint Data Backup of Disaster Recovery in Naledi Local Municipality was awarded to Datafox for R400,140.00 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

d) Contract no NLM2013-015A - Supply and Delivery of 6.7mm Raodstone was awarded to Loojwa Civil Construction and Works for R1,297,712.00 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

e) Contract no NLM2013-016A-1 - Supply and Delivery of Motor Vehicle Tyres was awarded to Midas - Randburg for R250,512.97 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

NALEDI LOCAL MUNICIPALITY

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f) Transfer costs (R1,954,576.80) and legal fees (R1,266,767.61) to the total value of R3,221,344.41 was incurred to the municipality's attorneys, Du Plessis-Viviers, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

g) Various suppliers did business with the municipality to the total value of R29,480.00. Employees of the municipality have business interest in these suppliers, which is in contravention of section 13(c) of the Municipal Supply Chain Management Regulations.

h) Various suppliers did business with the municipality to the total value of R277,632.80. Employees of other state institutions have business interest in these suppliers, which is in contravention of section 13(c) of the Municipal Supply Chain Management Regulations.

i) Various orders were awarded to Naledi Builders for the total value of R331,988.61, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

j) Various orders were awarded to Lithotech Sales Bloemfontein for the total value of R512,808.20, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

k) Various orders were awarded to Tshireletso Security Force for the total value of R1,084,967.48, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.4 Procurement not in line with SCM for the 2013/14 year

26 921 122

26 921 122

The following irregular expenditure relates to procurement in the 2013/14 financial year not in line with SCM Regulations:

a) Various goods and / or services to the value of R213,955.72 were purchased from suppliers in which persons in the service of state institutions have an interest in contravention of Section 44 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

b) Various goods and / or services to the value of R2,068,200.00 were purchased from suppliers in which spouses, partners and associates of persons in the service of the municipality have an interest, but did not declare the connection and / or interest. This is in contravention of Section 13(c) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005) and Section 5(1) of the Municipal Systems Act (Act 23 of 2000 Schedule 2).

c) Various goods and / or services to the value of R11,103,602.49 were purchased in contravention of Section 12(1) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005), Section 12(3) Range of procurement processes of the Municipality's Supply Chain Management Policy and Section 19 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

d) Various goods and / or services to the value of R348,252.61 were purchased from suppliers from which SARS tax clearance certificates were not obtained in contravention of Section 14 of the Preferential Procurement Regulations (8 June 2011) and Section 13(b) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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e) Services to the value of R27,023.67 were purchased from a supplier, which constituted a deviation from the Preferential Procurement Policy Framework and is in contravention of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

f) Various goods and / or services to the value of R654,299.32 were purchased from suppliers that had not completed their declaration of interest in contravention of Section 13(c) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

g) Goods and services to the value of R12,505,787.72 were purchased from a supplier for which the bid was not advertised by the municipality for the required timeframe in contravention of Section 18(a) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.5 Councillor medical aid contribution exceeding the upper limit for the 2010/11 year

19 541

19 541

The irregular expenditure relates to the medical aid contributions for a councillor that exceeded the monthly upper limit as stipulated per the Government Gazette of 10 December 2010. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.6 Salary increment not in terms of council resolutions for the 2010/11 year

71 562

71 562

The irregular expenditure relates to salary increments paid to section 57 managers that do not agree to salary increment approvals as per council resolutions. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.7 Non-compliance with PPFA for the 2010/11 year

3 629 306

3 629 306

The irregular expenditure relates to non-compliance with the PPPFA section 2(1)(e) and (f) in the awarding of a tender to Thembaniti Business Enterprise cc. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.8 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Erante Konsultante for the 2010/11 year

5 280 068

5 280 068

The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Erante Konsultante. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.9 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Fynbosland 435 BK for the 2010/11 year

2 607 140

2 607 140

The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Fynbosland 435 BK. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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35.3.10 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Geontsi Consulting Engineers for the 2010/11 year	2 142 425	2 142 425
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Geontsi Consulting Engineers. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.3.11 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Worley Parsons RSA (Pty) Ltd formerly Kwezi V3 Engineers (Pty) Ltd for the 2010/11 year	1 665 198	1 665 198
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Worley Parsons RSA (Pty) Ltd formerly Kwezi V3 Engineers (Pty) Ltd. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.3.12 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Maximum Profit Recovery (Pty) Ltd for the 2010/11 year	321 557	321 557
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Maximum Profit Recovery (Pty) Ltd. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.3.13 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Pandel Consulting for the 2010/11 year	3 512 071	3 512 071
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Pandell Consulting. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.3.14 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Matlala for the 2010/11 year	2 010	2 010
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Matlala. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.3.15 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Phepafatso for the 2010/11 year	3 000	3 000
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Phepafatso. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		
35.3.16 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Yanks Logistics for the 2010/11 year	4 780	4 780
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Yanks Logistics. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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35.3.17 Non-compliance with MSA Section 54A (2a) with regards to the appointment of acting executive managers for the 2013/14 year

191 630

191 630

The appointment period of two acting executive managers exceeded the maximum allowed period in terms of the MSA Section 54A (2a). The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.18 Procurement not in line with SCM for the 2014/15 year

1 592 099

1 592 099

The following irregular expenditure relates to procurement in the 2014/15 financial year not in line with SCM Regulations:

a) Various goods and / or services to the value of R33,950.00 were purchased from suppliers in which persons in the service of state institutions have an interest in contravention of Section 44 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

b) Various goods and / or services to the value of R986,100.00 were purchased from suppliers in which spouses, partners and associates of persons in the service of the municipality have an interest, but did not declare the connection and / or interest. This is in contravention of Section 13(c) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005) and Section 5(1) of the Municipal Systems Act (Act 23 of 2000 Schedule 2).

c) Various goods and / or services to the value of R572,048.70 were purchased from suppliers whose municipal rates and taxes were in arrears, which is in contravention of Section 28 and section 38 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

35.3.19 Non-compliance with MFMA Circular 62 in the extension of contracts for the 2014/15 year

848 776

848 776

The irregular expenditure relates to non-compliance with MFMA Circular 62 in the extension of contracts that exceed the threshold of variations as set out. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2016/17 financial year.

i) No further material losses or material irregular or fruitless and wasteful expenditures or material unauthorized expenditure had occurred during the financial year.

ii) No criminal or disciplinary steps were taken as a result of losses from the above.

iii) No material losses have been recovered or written-off.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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36. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government: SALGA NW

Opening balance	524 692	145 476
Council subscriptions	1 660 313	1 258 741
Other services	11 156	-
Amount paid - current year	-	-734 049
Amount paid - previous year	-	-145 476
Balance overpaid (included in debtors)	2 196 162	524 692

36.2 Audit fees

Opening balance	1 391 518	1 610 316
Current year audit fees	2 908 070	2 142 399
Amount paid - current year	-2 765 711	-750 880
Amount paid - previous year	-1 391 518	-1 610 316
Balance unpaid (included in creditors)	142 359	1 391 518

36.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in **Note 5**. All VAT returns have been submitted.

27 115 155	20 183 161
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36.4 PAYE and UIF

Opening balance	1 552 120	1 206 817
Current year payroll deductions	19 433 845	17 023 847
Amount paid - current year	-17 851 764	-15 471 727
Amount paid - previous year	-1 552 120	-1 206 817
Balance unpaid (included in debtors)	1 582 080	1 552 120

The balance carried forward represents over-payments made to SARS (under-payment in previous year).

36.5 Pension and medical aid deductions

Opening balance	3 953 523	2 167 074
Current year payroll deductions and council contributions	31 917 658	29 132 743
Amount paid - current year	-27 484 183	-25 179 220
Amount paid - previous year	-3 953 523	-2 167 074
Balance unpaid (included in debtors)	4 433 475	3 953 523

The balance carried forward represents over-payments made to Pension and Medical Aids (under-payment in previous year).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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36.6 Councillors' arrear consumer accounts

The following sundry debtor balances were outstanding for more than 90 days from councillors:

	Outstanding < 90 days	Outstanding > 90 days	Total
As at 30 June 2016			
Cllr. S.T. Modise	101	319	420
Cllr. N.G. Mathiba	-	-	-
Cllr. C.J. Groep	-	-	-
Cllr. E.K. Moroka	803	-	803
Cllr. H.L. Pretorius	2 131	-	2 131
Cllr. K.K. Kgajane	1 196	46 289	47 485
Cllr. D.P. Matobo	1 196	33 447	34 643
Cllr. J.A. Adonis	1 906	-	1 906
Cllr. P.K. Moloi	-	-	-
Cllr. A.N. Bareng	2 001	8 289	10 290
Cllr. G.A. Coetzee	3 272	11 255	14 527
Cllr. D.T. Mogale	14	26	40
Cllr. S.B. Kgodumo	-	-	-
Cllr. A. Lekgetho	1 659	6 728	8 387
Cllr. M.J. Nchochoba	1 196	35 052	36 248
Cllr. E.G. Ramorogadi	-	1	1
Cllr. E.P. Renoster	1 262	4 177	5 440
Cllr. N.R. Thekiso	-	-	-
Total Councillor Arrear Consumer Accounts	16 739	145 582	162 321
As at 30 June 2015			
Cllr. S.T. Modise	64	-	64
Cllr. N.G. Mathiba	617	-	617
Cllr. C.J. Groep	-	-	-
Cllr. E.K. Moroka	209	-	209
Cllr. H.L. Pretorius	3 330	-	3 330
Cllr. K.K. Kgajane	1 142	43 130	44 272
Cllr. D.P. Matobo	1 142	34 582	35 724
Cllr. J.A. Adonis	1 831	-	1 831
Cllr. P.K. Moloi	3 350	16 783	20 133
Cllr. A.N. Bareng	1 198	823	2 021
Cllr. G.A. Coetzee	4 566	-	4 566
Cllr. D.T. Mogale	5	-	5
Cllr. S.B. Kgodumo	-	-	-
Cllr. A. Lekgetho	2 534	15 376	17 910
Cllr. M.J. Nchochoba	1 210	30 499	31 709
Cllr. E.G. Ramorogadi	920	1	921
Cllr. E.P. Renoster	1 257	924	2 181
Cllr. N.R. Thekiso	973	-	973
Total Councillor Arrear Consumer Accounts	24 348	142 118	166 466

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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36.7 Non-compliance with Chapter 11 of the Municipal Finance Management Act

Non-compliance due to contravention of the Supply Chain Management Regulations stipulated in Chapter 11 of the MFMA has been disclosed in note **35.3**.

-	56 201 430
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36.8 Summary of investments (call accounts)

Description	Cash book balance at beginning of year R	Cash book balance at end of year R
FIXED DEPOSIT - FNB - 70416038010 - GENERAL	8 041	8 000
FIXED DEPOSIT - FNB - 70416052060 - GENERAL	7 900	7 900
CALL ACCOUNT - FNB - 624 0111 9856 - FMG	1 032	5 289
CALL ACCOUNT - FNB - 624 0112 1364 - MIG	9 433	16 381 593
CALL ACCOUNT - FNB - 624 0112 3344 - EPWP	1 016	1 704
CALL ACCOUNT - FNB - 624 0112 3625 - LIBRARY FUNDS	1 012	1 832
CALL ACCOUNT - FNB - 624 0112 2255 - MSIG	1 039	6 558
CALL ACCOUNT - FNB - 624 0112 2908 - INEP	1 019	1 898
CALL ACCOUNT - FNB - 624 0112 3964 - EQUITABLE SHARE	1 089	1 174
CALL ACCOUNT - FNB - 624 0112 4235 - LGSETA	1 014	1 068
CALL ACCOUNT - FNB - 624 0112 4805 - NEW LANDFILL SITE	1 015	1 069
CALL ACCOUNT - FNB - 624 0112 5142 - PPE	1 023	1 077
CALL ACCOUNT - FNB - 624 2143 5951 - DISTRICT GRANT	1 021	1 076
CALL ACCOUNT - FNB - 624 2092 5549 - SMART METER PROJECT	1 810	81 713
CALL ACCOUNT - FNB- 624 3538 9342 - PRODIBA	4 067	4 287
	41 530	16 506 239

36.9 Deviation from and ratification of minor breaches of procurement processes

Deviation from procurement processes had taken place and these minor breaches were ratified during the year.

4 519 045	6 069 320
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No further deviation from and ratification of minor breaches of procurement processes had taken place during the year.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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37. CAPITAL COMMITMENTS

37.1 Commitments in respect of capital expenditure

- Approved and contracted for	19 568 954	23 603 909
Property, plant and equipment	19 568 954	23 603 909
- Approved but not yet contracted for	56 288 000	36 363 000
Property, plant and equipment	56 288 000	36 363 000
Total	75 856 954	59 966 909
This expenditure will be financed from:		
- External loans	-	-
- Government grants	72 987 494	54 129 968
- Own resources	2 869 459	5 836 940
Total	75 856 954	59 966 909

37.2 Commitments in respect of operating expenditure

- Approved and contracted for	23 493 375	3 795 635
Operational expenditure	23 493 375	3 795 635
- Approved but not yet contracted for	-	-
Operational expenditure	-	-
Total	23 493 375	3 795 635
This expenditure will be financed from:		
- Government grants	2 716 886	2 379 068
- Own resources	20 776 488	1 416 567
Total	23 493 375	3 795 635

37.2.1 Commitments for periods longer than 12 months

Provision of short-term insurance

The municipality is committed to the short-term insurance contract for a period of 3 years.

Provision of valuation roll

The municipality is committed to the valuation roll contract for a period of 5 years (1 year for compilation and 4 years for supplementary valuation rolls).

Provision of electrical materials

The municipality is committed to the provision and supply of electrical materials contract for a period of 3 years.

Provision of security services

The municipality is committed to the provision of security services contract for a period of 3 years.

Provision of chemicals

The municipality is committed to the provision and supply of chemicals contract for a period of 3 years.

Provision of concrete manhole rings

The municipality is committed to the provision and supply of concrete manhole rings contract for a period of 3 years.

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Provision of PVC pipes

The municipality is committed to the provision and supply of PVC pipes contract for a period of 3 years.

Provision of heavy duty steel rods

The municipality is committed to the provision and supply of heavy duty steel rods contract for a period of 3 years.

Provision of landfill compacting services

The municipality is committed to the provision of landfill compacting services contract for a period of 3 years.

38. EVENTS AFTER THE REPORTING DATE

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements.

39. RETIREMENT BENEFIT INFORMATION

39.1 Defined contribution plan

An amount of R13,833,431 (R12,838,418 - 2015) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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40. CONTINGENT LIABILITIES

Various legal matters

40.1 NALEDI LOCAL MUNICIPALITY / MAXIMUM PROFIT RECOVERY [PTY] LTD

This is a claim brought by Maximum Profit Recovery (Pty) Ltd for VAT recovery services rendered for which there are outstanding claims that the municipality had allegedly not yet paid for. The Naledi Local Municipality is at risk. The Plaintiff issued summons against the Naledi Local Municipality for services rendered. We filed a notice in terms of Rule 30 of an irregular step. We are awaiting a trial date to argue about the Plaintiff's irregular step. The Municipality is at risk for the amount of R897,417.58 plus costs and interest.

40.2 NALEDI LOCAL MUNICIPALITY AND TORO YA AFRICA / KHASU ENGINEERING

In this matter the applicant Khasu Engineering [Pty] Ltd. brought an application against Naledi Local Municipality as well as Toro Ya Africa. The applicant as such was opposed herein. Our opponents did not proceed with the application as they are at liberty to proceed and there is nothing for us to win herein, we did not proceed further. We are of opinion that the applicant, to wit Khasu Engineering [Pty] Ltd. is insolvent and cannot pay its debt. It will have no effect on us to proceed and try and finalise this matter and also get a cost order against them. The estimated legal costs are an amount of ±R61,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote.

40.3 NALEDI LOCAL MUNICIPALITY / GH GALENG AND KN COLANE

The municipality allegedly laid false charges against the individuals for which GH Galeng and KN Colane had issued a summons on 20 December 2006. The claim relates to the period prior to 30 June 2011. We are of opinion that they will not proceed with the matter and the risk is very low. The Municipality is at risk for the amount of R1,930,000.

40.4 POST-EMPLOYMENT MEDICAL AID

Due to the difficulty in joining a medical aid fund when nearing retirement, 20% of employees are currently not on a company subsidised medical plan and are likely to join one such medical plan before retirement. This will result in a possible contingent liability for the current year R1,499,366.40 (20% x 224 x R2,789 x 12) of and for the prior year of R1,548,146.40 (20% x 239 x R2,699 x 12).

40.5 - STELLA LANDFILL SITE LICENSE FINE

It has been established that the Stella landfill site is operating without a license as required by the NATIONAL ENVIRONMENTAL MANAGEMENT ACT NO. 107 OF 1998. The fine to be imposed on a Municipality for operating an unlicensed landfill site must be determined by the use of Regulation 636. "Regulations Relating to the Procedure to be followed and Criteria to be considered when Determining an appropriate fine in terms of Section 24G". This is a new regulation and has not been put into practice anywhere as yet thus there is no practical determination of what the potential fine would be. However, the maximum fine to be imposed in terms of this regulation is R10Million and 10 years imprisonment. Typically we could expect that the authorities would require that the site be rendered safe to the environment thus it would either need to be removed to a licensed site or rehabilitated insitu as provided for in the provision. We have provided for an amount of R7,108,478 in the Landfill site provision. The possibility of the fine is currently remote and the amount of the fine is unknown. The potential contingent liability will thus be the difference between the maximum fine amount and the provision amount (R10,000,000 - R7,108,478), which therefore amounts to R2,891,522.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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41. CONTINGENT ASSETS

Various legal matters

41.1 NALEDI LOCAL MUNICIPALITY / QUICK SPARX

We confirm that we have consulted with Advocate Nico Jagga in the abovementioned matter. We furthermore confirm that we have consulted with Sizwe Ntsaluba Gobodo Incorporated Forensic Auditors. In respect of Quick Sparx it was agreed between ourselves and the Forensic Auditors to obtain an asset forfeiture order in the High Court against Quick Sparx. As soon as the order has been obtained and Quick Sparx assets has been seized and frozen, we will assess the value of the assets seized and frozen, before we proceed to issue summons against Quick Sparx for the amount of R600,000. It is our thinking that issuing summons before a forfeiture order is obtained will simply alert the sole member of Quick Sparx and her husband, which may result in them hiding their assets. We were also instructed to recover the amount of R342,000.00 in respect of two transformers that were installed at the Vryburg Abattoir. We have engaged Vryburg Abattoir and they were of the opinion that the replacement of the transformers is the financial responsibility of Naledi Local Municipality. The estimated legal costs are an amount of ±R150,000.00. We expect that this matter will be handled in future and we believe that our claim is not remote.

42. RELATED PARTIES

42.1 Members of key management

MT Segapo	-	-
DM Thornhill	-	-
C Malefo	-	-
T Appolus	-	-
L Moinwe	-	-
	-	-

No related party transactions occurred between the municipality and its key management.

Compensation to councillors and other key management (refer to notes 21 and 22).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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43. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

43.1 Impairment of receivables

Management has an accounting policy in place to provide for the impairment of bad debts. The policy requires individual assessment of long outstanding debtors.

The carrying value of the impairment for bad debt is:

244 733 883

211 245 308

The impairment provided for in the Statement of financial performance is:

41 050 411

30 068 238

The following amount of bad debts were written off and was approved by management and condoned by council (and is included in the amount as per Statement of financial performance)

10 223 813

21 240 846

43.2 The useful lives and residual values of property, plant, and equipment

In accordance with GRAP 17.61 the municipality implemented an accounting policy to ensure that the useful life of other assets are reviewed at least at each reporting date. The residual value of motor vehicles and machinery and equipment are reviewed at each reporting date. The residual value of land and buildings, infrastructure, community assets, heritage assets and other assets have been assessed at zero as the economic life of the assets are more than the useful life.

The carrying value of assets at year end, subject to the annual review is:

760 924 359

738 662 119

43.3 Provision for rehabilitation of landfill site

The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. An average inflation rate of 6.23% as per MFMA Circular 79 and a discount rate of 9.02 % / 9.39 % as per the R186 / R 213 Government Bond rate was used to calculate the obligation at year-end.

The closing balance of the provision is:

Current Provision

7 119 476

6 842 106

Non-current Provision

4 841 373

4 448 730

43.4 Provision for long service award

The actuarial assumptions used to determine the liability in terms of GRAP 25 are based on the best estimate of the actuary in consultation with the Employer and their auditors. The assumptions are used to place a value on the liabilities. They will not impact on the actual cost of the benefits which can only be determined once the last benefit has been paid, but they will impact on how the costs are recognised over time. Should the assumption prove to be too conservative or too liberal then actuarial gains or losses will emerge.

Discount rate assumption

The discount rate reflects the estimated timing of benefit payments. In practice, an entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.

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The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have determined the estimated duration of the liabilities on a time-weighted cash flow basis to be in the order of 8 years as at 30 June 2016 (based on the valuation data provided). We therefore used a nominal bond with a term of 8 years to determine the appropriate discount rate. The resultant discount rate was 8.89%.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

The assumed rate of inflation was derived from the differential between the market yield on the long-term index linked bond with a term of 8 years and those of a nominal bond of a similar term and allowing for an inflation risk premium of 0.5% per annum. The implied inflation assumption is therefore 6,52% per annum for future inflation.

We assumed that salary inflation will exceed general inflation by 1.0% per annum, i.e. 7,52% p.a. In addition we have assumed that salaries will increase according to the following merit scale.

Age	Merit increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45+	0%

Assets

The Entity does not have any specific assets set aside to prefund for this liability. We have therefore not included any asset value in this report

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 1.27% per annum. (Derived from a discount rate of 8.89% and the expected salary inflation rate of 7,52%)

Demographic valuation assumptions

We have assumed that the pre-retirement mortality will be in line with the SA85-90(Light) table, rated down by 3 years for females, which is a table reflecting mortality experience in South Africa. This assumption is in line with the previous assumption used.

NALEDI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

Demographic valuation assumptions

We have provided for rates of withdrawal in the valuation as follows:

Age	Withdrawal Rate
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55+	0%

Assumed retirement age

The normal retirement age is 65. We have retained the assumed retirement age of 63 for all employees which implicitly allows for some early retirement and is consistent with assumptions used for valuing other liabilities of the Entity. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63

The closing balance of the provision is:

Current Provision

Non-current Provision

1 113 696

1 060 631

8 894 333

7 927 669

43.5 Provision for continued medical aid

The actuarial assumptions used to determine the liability in terms of GRAP 25 are based on the best estimate of the actuary in consultation with the Employer and their auditors. The assumptions are used to place a value on the liabilities. They will not impact on the actual cost of the benefits which can only be determined once the last benefit has been paid, but they will impact on how the costs are recognised over time. Should the assumption prove to be too conservative or too liberal then actuarial gains or losses will emerge.

Discount rate assumption

The discount rate reflects the estimated timing of benefit payments. In practice, an Entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have used the average nominal yield curve for bonds with duration of between 15 and 20 years as at 30 June 2016. The resultant discount rate was 9.74%.

Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have used the difference between nominal and real bonds with duration of between 15 and 20 years and allowed for a 0.5% inflation risk premium. The implied inflation assumption is therefore 7,26% per annum.

The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase.

South Africa has experienced high health care cost inflation in recent years and our assumption is that health care cost will exceed general inflation by about 1.5% per annum. The Health care cost inflation rate was therefore set at 8,76% per annum.

NALEDI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

Assets

The Management of the Entity has indicated that there are currently no long-term on-balance sheet assets set aside in respect of the post-retirement Health Care liabilities.

Net discount rate

Even though the actual values used for the discount rate and the expected increase in medical inflation are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate is 0.90% per annum (derived from a discount rate of 9.74% and the expected medical inflation rate of 8,76%).

Demographic valuation assumptions

We have assumed that the pre-retirement mortality will be in line with the SA85-90(Light) table, rated down by 3 years for females, which is a table reflecting mortality experience in South Africa. This assumption is in line with the previous assumption used. We have based the post-retirement mortality assumptions on the PA (90) mortality tables rated down by 1 year.

Demographic valuation assumptions

We have provided for rates of withdrawal in the valuation as follows:

Age	Withdrawal Rate
20	16%
30	10%
40	6%
50	2%
55+	nil

Assumed retirement age

Normal retirement age for the Municipality is 65 years. We have assumed that employees will retire at age 63, which implicitly allows for the expected rates of early retirement.

Continuation of membership and family profile

We assumed 80% of In Service Employees on a health care arrangement will be married at retirement. Males were assumed to be three years older than their female spouses. The data provided in respect of the Continuation Members indicated the presence/absence of an adult dependent and provided the actual birth dates of spouses. The actual adult dependent data in respect of Continuation Members was therefore used. Employees were assumed to have no dependent children after retirement. Dependent adults were assumed to be covered for their life. It was assumed 100% of the In Service Employees will remain on the Entity's health care arrangements should they stay until retirement. It was further assumed that 20% of the current eligible In Service Non- Members will be on an Entity-sponsored medical aid scheme at retirement and will be eligible for the subsidy. It was further assumed that the subsidy will be at the average of the current Members.

It was assumed that Employees retiring will remain on the current plan and option at retirement as well as on the same income category after retirement.

The closing balance of the provision is:

Current Provision

Non-current Provision

1 211 874

53 857 352

1 078 647

48 455 125

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

44. RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

44.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate

Financial assets exposed to credit risk at year end were as follows:

Current Account (Primary Bank Account) - FNB Acc nr: 54160030382	1 847 782	944 121
Current Account (Other Account) - ABSA Acc nr: 4070282707	214 911	259 152
Other short-term investments	16 506 239	41 530
Trade and other receivables	25 817 053	31 774 527

These balances represent the maximum exposure to credit risk.

44.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is mitigated by the fact that consumer debtors have been adequately provided for as impaired.

44.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

44.4 Other price risk

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Other Receivables are individually evaluated annually at year-end date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

45. GOING CONCERN ASSUMPTION

Naledi Local Municipality incurred a net loss of R 43,636,877 during the year ended 30 June 2016 and, as of that date, the Municipality's current liabilities exceeded its current assets by R 350,379,807.

Management believes that the Going Concern assumption is appropriate, however based on the financial liabilities and background we understand that a material uncertainty might exist at year-end.

Management is however confident that the financial situation of the municipality will be turned-around in the next financial year due to the following processes and activities implemented to address the Going Concern Risk:

- *A financial turnaround strategy was implemented and approved by Council*
- *Implementation and adoption of policy and procedure manuals affecting the financial statements of the municipality as well as the internal controls of the municipality*
- *Agreements were reached with the major current and long-term creditors to pay off long outstanding debt on a monthly basis*
- *Service providers have been appointed to implement electronic water and electricity meters, which will assist in resolving the speedier collection of consumer debtors*
- *As part of the financial turnaround and the new adopted credit control policy the municipality is in the process of handing over all debtors older than 90 days and this is assisted by the establishment of an internal debt collection unit.*

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
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46. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in the **Statement of comparison of budget and actual amounts** and **Appendix E**.

47. RESERVES

47.1 Revaluation reserve

Balance at beginning of year	1 697 412	2 797 286
Contributions to reserve	-	-
Reversal of reserve	1 555 408	-771 169
Realisation of reserve	-1 088 591	-328 704
Balance at end of year	2 164 229	1 697 412

48. FINANCE LEASE LIABILITY

48.1 Office equipment

Minimum lease payments

Within 1 year	467 696	1 691 307
Within 1 - 5 years	467 696	467 696
	467 696	2 159 003
Minus: Future finance costs	-19 822	-209 529

Present value of minimum lease payments

Present value of minimum lease payments

Within 1 year	-	1 499 767
Within 1 - 5 years	447 875	449 708
	447 875	1 949 475

The liability is secured by the leased assets.

Carrying value of leased photocopiers	1 531 039	2 125 995
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It is municipalities policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10 % during the reporting period. Payments are made in arrears.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent lease payments. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. There were no defaults or breaches and no terms and conditions were re-negotiated during the reporting period. The municipality does not have the intention to buy the assets after the lease period. The lease agreements do not impose restrictions upon the municipality.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Annual remuneration	Performance and other bonusses	Travel allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R

49. REMUNERATION TO INDIVIDUAL EXECUTIVE MANAGERS

30 June 2016

Technical services director	968 630	-	192 230	151 181	1 312 041
Corporate services director	939 509	-	182 833	181 491	1 303 833
Community services director	841 232	-	162 142	161 100	1 164 474
Total	2 749 371	-	537 205	493 772	3 780 348

30 June 2015

Technical services director	916 413	-	182 833	143 868	1 243 114
Corporate services director	883 445	-	182 833	170 372	1 236 650
Community services director	807 362	-	154 215	146 681	1 108 258
Total	2 607 220	-	519 881	460 921	3 588 022

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Annual remuneration	Travel allowance	Housing allowance	Telephone allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R	R
50. REMUNERATION TO COUNCILLORS						
30 June 2016						
Mayor	375 185	93 797	232 751	41 820	63 513	807 066
Speaker	355 128	50 098	147 915	20 868	58 842	632 851
Chairperson: Finance and Economic Development	328 983	47 707	142 473	20 868	54 962	594 993
Chairperson: Human Resources, Skills Development and Training	324 384	35 634	142 901	20 868	70 571	594 359
Chairperson: Infrastructure, Basic Services and Social Development	326 428	41 000	152 118	20 868	54 329	594 744
Chairperson: Municipal Public Accounts Committee	134 421	33 605	105 028	20 868	23 067	316 990
Other Councillors	1 506 033	224 421	818 629	250 416	220 392	3 019 891
Total	3 350 563	526 263	1 741 815	396 576	545 677	6 560 894
30 June 2015						
Mayor	325 222	81 305	263 184	41 820	55 733	767 264
Speaker	342 645	49 647	131 107	20 868	56 657	600 924
Chairperson: Finance and Economic Development	316 147	136 809	40 382	20 868	50 283	564 489
Chairperson: Human Resources, Skills Development and Training	308 795	35 324	135 463	20 868	65 493	565 943
Chairperson: Infrastructure, Basic Services and Social Development	311 969	40 690	140 909	20 868	51 760	566 196
Chairperson: Municipal Public Accounts Committee	103 707	25 927	131 430	20 868	18 404	300 336
Other Councillors	1 364 075	230 474	784 442	246 938	296 697	2 922 626
Total	3 072 560	600 176	1 626 917	393 098	595 027	6 287 778

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Land R	Buildings R	Infrastructure R	Community R	Game / animals R	Other Assets R	Total R
51. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATION OF CARRYING VALUE							
Carrying values at 1 July 2015	128 054 491	28 838 349	515 011 988	38 503 842	4 581 500	23 671 948.57	738 662 119
Cost	144 964 136	48 657 397	631 663 009	61 506 607	4 581 500	41 616 604.98	932 989 254
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-16 909 645	-19 819 047	-116 651 021	-23 002 765	-	-17 944 656.41	-194 327 135
- Cost	16 909 645	19 819 047	116 651 021	23 002 765	-	17 944 656.41	194 327 135
- Revaluation	-	-	-	-	-	-	-
Acquisitions	8 244 379	-	22 615 485	115 769	-	1 842 826.23	32 818 460
Capital under construction	-	5 011 219	25 798 339	-	-	-	30 809 558
Increases / decreases in revaluation	-	-	-	-	1 555 408	-	1 555 408
Depreciation	445 200	3 382 563	22 539 858	4 113 892	1 099 958	5 578 139.63	37 159 611
- based on cost	445 200	3 382 563	22 539 858	4 113 892	1 099 958	5 578 139.63	37 159 611
- based on revaluation	-	-	-	-	-	-	-
Carrying value on disposals	-140 022	-	-4 763 833	-	-212 500	-360 301.82	-5 476 657
Cost / revaluation	-140 022	-	-5 971 475	-	-212 500	-2 099 107.84	-8 423 104
Accumulated depreciation	-	-	1 207 642	-	-	1 738 806.02	2 946 448
Impaired losses	393 994	-	-	620 598	-	-	1 014 592
Other movements	544 174	-	-	-	185 500	-	729 674
Carrying values at 30 June 2016	135 863 828	30 467 006	536 122 122	33 885 120	5 009 950	19 576 333.35	760 924 359
Cost	153 612 667	53 668 615	674 105 359	61 622 376	6 109 908	41 360 323.37	990 479 249
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-17 748 839	-23 201 610	-137 983 237	-27 737 256	-1 099 958	-21 783 990.02	-229 554 891
- Cost	17 748 839	23 201 610	137 983 237	27 737 256	1 099 958	21 783 990.02	229 554 891
- Revaluation	-	-	-	-	-	-	-

Refer to **Appendix E** for more detail on property, plant and equipmen

Acquisitions for the year contains Infrastructure projects and moveable assets to the value of R8,142,544 (R29,907,854 - 2015) transferred to the municipality by the District Municipality, NW Department of Roads, Department of Environmental Affairs and local businesses as disclosed per **Note 20**.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Land R	Buildings R	Infrastructure R	Community R	Game / animals R	Other Assets R	Total R
RECONCILIATION OF CARRYING VALUE							
Carrying values at 1 July 2014	135 068 548	32 026 018	751 141 777	40 479 585	5 457 500	25 733 734	989 907 161
Cost	140 406 585	48 567 911	918 431 656	59 342 124	5 457 500	39 285 486	1 211 491 261
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-5 338 037	-16 541 893	-167 289 879	-18 862 539	-	-13 551 752	-221 584 101
- Cost	5 338 037	16 541 893	167 289 879	18 862 539	-	13 551 752	221 584 101
- Revaluation	-	-	-	-	-	-	-
Acquisitions	3 069 989	89 486	38 620 413	2 164 483.69	-	2 542 156	46 486 527
Capital under construction	-	-	44 034 278	-	-	710 470	44 744 748
Increases / decreases in revaluation	-	-	-	-	-771 169	-	-771 169
Depreciation	6 255 440	3 277 154	26 488 665	3 550 438	786 081	5 159 344	45 517 121
- based on cost	6 255 440	3 277 154	26 488 665	3 550 438	786 081	5 159 344	45 517 121
- based on revaluation	-	-	-	-	-	-	-
Carrying value on disposals	-1 450 013	-	-292 295 815	-	-307 500	-155 067	-294 208 395
Cost / revaluation	-1 450 013	-	-369 423 337	-	-307 500	-921 507	-372 102 357
Accumulated depreciation	-	-	77 127 522	-	-	766 440	77 893 963
Impaired losses	5 316 168	-	-	589 789	-	-	5 905 957
Other movements	2 937 575	-	-	-	988 750	-	3 926 325
Carrying values at 30 June 2015	128 054 491	28 838 349	515 011 988	38 503 842	4 581 500	23 671 949	738 662 119
Cost	144 964 136	48 657 397	631 663 009	61 506 607	5 367 581	41 616 605	933 775 335
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-16 909 645	-19 819 047	-116 651 021	-23 002 765	-786 081	-17 944 656	-195 113 215
- Cost	16 909 645	19 819 047	116 651 021	23 002 765	786 081	17 944 656	195 113 215
- Revaluation	-	-	-	-	-	-	-

During the previous year, in accordance with the **NW Extraordinary Provincial Gazette No 7368**, Volume 2576 of 6 November 2014, roads to the nett value of R289,114,554 were disposed and removed from the fixed asset register of the Municipality.

NALEDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

52. BORROWINGS - IN DEFAULT

Loan no	Loan in default	Redeemable date	Carrying value of loans in arrears 30 June 2015 R	Interest in arrears			Capital in arrears			Carrying value of loans in arrears 30 June 2016 R	Total outstanding 30 June 2016 R
				Balance at 30 June 2015 R	Movement R	Balance at 30 June 2016 R	Balance at 30 June 2015 R	Movement R	Balance at 30 June 2016 R		
12885/101		2005/12/31	411	206	-206	-	206	-206	-	-	-
13083/101		2011/12/31	2 210 518	1 105 259	-1 105 259	-	1 105 259	-1 105 259	-	-	-
13084/101		2008/12/31	1 403 708	701 854	-701 854	-	701 854	-701 854	-	-	-
13086/101		2008/12/31	4 924	2 462	-2 462	-	2 462	-2 462	-	-	-
13087/101		2009/12/31	1 328 319	664 159	-664 159	-	664 159	-664 159	-	-	-
13392/101		2019/12/31	1 513 211	1 012 635	-1 012 635	-	500 577	-500 577	-	-	-
13393/101		2019/12/31	1 597 575	1 069 090	-1 069 090	-	528 485	-528 485	-	-	-
13604/101		2020/12/31	9 995 664	6 741 616	-6 741 616	-	3 254 048	-3 254 048	-	-	-
13604/103		2025/06/30	4 648 721	3 661 575	-3 661 575	-	987 146	-987 146	-	-	-
61007375		2017/07/31	-	-	-	-	-	-	-	-	8 138 049
61007376		2022/01/31	-	-	-	-	-	-	-	-	21 020 255
TOTAL			22 703 051	14 958 856	-14 958 856	-	7 744 195	-7 744 195	-	-	29 158 304

NALEDI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

	Loan number	Interest rate	Balance at 30 June 2015	Received during the period	Interest Capitalised	Redeemed / written off during the period	Other movements	Balance at 30 June 2016
			R	R	R	R	R	R
GOVERNMENT LOANS								
Development Bank of South Africa	12885/101	9.5%	411	-	-	-411	-	-
Development Bank of South Africa	13083/101	15.5%	2 210 518	-	-	-	-2 210 518	-
Development Bank of South Africa	13084/101	15.5%	1 403 708	-	-	-	-1 403 708	-
Development Bank of South Africa	13086/101	15.5%	4 924	-	-	-4 924	-	-
Development Bank of South Africa	13087/101	15.5%	1 328 319	-	-	-	-1 328 319	-
Development Bank of South Africa	13392/101	17.0%	2 025 269	-	-	-	-2 025 269	-
Development Bank of South Africa	13393/101	17.0%	2 138 180	-	-	-	-2 138 180	-
Development Bank of South Africa	13604/101	15.7%	13 920 675	-	-	-300 000	-13 620 675	-
Development Bank of South Africa	13604/103	15.7%	7 616 728	-	-	-	-7 616 728	-
Development Bank of South Africa	61007375	9.0%	-		3 047	-970 992	9 105 994	8 138 049
Development Bank of South Africa	61007376	9.0%	-		6 525	-223 673	21 237 403	21 020 255
TOTAL EXTERNAL LOANS			30 648 732	-	9 572	-1 500 000	-	29 158 304

NALEDI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost / Revaluation							Accumulated depreciation					Transfers	Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Other movements	Closing balance	Opening balance	Depreciation	Disposals	Impairment loss / reversal of impairment loss	Closing balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	144 964 136	8 244 379	-	-	-140 022	544 174	153 612 667	16 909 645	445 200	-	393 994	17 748 839	-	135 863 828
Buildings	48 657 397	-	-	5 011 219	-	-	53 668 615	19 819 047	3 382 563	-	-	23 201 610	-	30 467 006
Infrastructure	631 663 009	22 615 485	-	25 798 339	-5 971 475	-	674 105 359	116 651 021	22 539 858	1 207 642	-	137 983 237	-	536 122 122
Community	61 506 607	115 769	-	-	-	-	61 622 376	23 002 765	4 113 892	-	620 598	27 737 256	-	33 885 120
Game / animals	4 581 500	-	1 555 408	-	-212 500	185 500	6 109 908	-	1 099 958	-	-	1 099 958	-	5 009 950
Other Assets	41 616 605	1 842 826	-	-	-2 099 108	-	41 360 323	17 944 656	5 578 140	1 738 806	-	21 783 990	-	19 576 333
TOTAL	932 989 254	32 818 460	1 555 408	30 809 558	-8 423 104	729 674	990 479 249	194 327 135	37 159 611	2 946 448	1 014 592	229 554 891	-	760 924 359

NALEDI LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost / Revaluation							Accumulated depreciation					Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Other Movements	Closing balance	Opening balance	Additions	Disposals	Impairment loss / reversal of impairment loss	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Office of the Mayor	61 936	-	-	-	-	-	61 936	9 883	-	-	-	9 883	52 053
Office of the Speaker	289 963	-	-	-	-	-	289 963	-	-	-	-	-	289 963
Office of the Municipal Manager	1 087 413	23 751	-	-	-	-	1 111 164	110 242	-	-	-	110 242	1 000 922
Financial Services	2 415 904	39 867	-	-	-	-	2 455 771	225 792	-	-	-	225 792	2 229 979
Administration	3 326 283	36 955	-	-	-	-	3 363 238	-	-	-	-	-	3 363 238
Human Resource	1 174 287	7 003	-	-	-	-	1 181 290	315 222	-	-	-	315 222	866 068
Community Services	3 853 890	63 597	-	-	-	-	3 917 487	949 389	-	-	-	949 389	2 968 098
Parks	2 207	-	-	-	-	-	2 207	-	-	-	-	-	2 207
Recreational Facilities	2 207 556	304 216	-	-	-	-	2 511 772	-	-	-	-	-	2 511 772
Community Facilities	2 344 814	115 769	-	5 011 219	-	-	7 471 802	-	-	-	-	-	7 471 802
Libraries	26 192	-	-	-	-	-	26 192	-	-	-	-	-	26 192
Cemeteries	73 528	-	-	-	-	-	73 528	4 974	-	-	-	4 974	68 554
Traffic	193 083	-	-	-	-	-	193 083	-	-	-	-	-	193 083
Licensing	-	-	-	-	-	-	-	-	-	-	-	-	-
Nature Reserve	6 431 400	106 132	1 555 408	-	212 500	185 500	8 065 940	-	-	-	-	-	8 065 940
Housing Administration	5 476	-	-	-	-	-	5 476	-	-	-	-	-	5 476
Fire and Disaster Services	824 538	-	-	-	-	-	824 538	-	-	-	-	-	824 538
Technical Services	902 633 692	32 062 262	-	25 798 339	8 210 604	544 174	952 827 863	192 595 210	38 174 203	2 946 448	-	227 822 966	725 004 896
Electricity	749 438	-	-	-	-	-	749 438	25 121	-	-	-	25 121	724 317
Water	443 988	-	-	-	-	-	443 988	4 186	-	-	-	4 186	439 802
Refuse Removal	2 745 119	45 300	-	-	-	-	2 790 419	-	-	-	-	-	2 790 419
Sewerage and Sanitation	824 663	13 608	-	-	-	-	838 271	-	-	-	-	-	838 271
Roads and Street Lighting	665 834	-	-	-	-	-	665 834	-	-	-	-	-	665 834
Town Planning	27 155	-	-	-	-	-	27 155	-	-	-	-	-	27 155
Project Management Unit	32 323	-	-	-	-	-	32 323	-	-	-	-	-	32 323
Mechanical Workshop	548 571	-	-	-	-	-	548 571	87 115	-	-	-	87 115	461 456
EDTA	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	932 989 253	32 818 460	1 555 408	30 809 558	8 423 104	729 674	990 479 249	194 327 134	38 174 203	2 946 448	-	229 554 890	760 924 359

NALEDI LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	2016			2015		
	Actual income	Actual Expenditure	Surplus / (Deficit)	Actual income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
Office of the Mayor	-	2 883 450	-2 883 450	-	2 466 497	-2 466 497
Office of the Speaker	-	9 163 758	-9 163 758	-	8 418 418	-8 418 418
Office of the Municipal Manager	-	16 654 674	-16 654 674	-	15 305 883	-15 305 883
Financial Services	143 183 595	74 139 048	69 044 547	102 274 287	65 516 917	36 757 370
Administration	4 561 873	21 887 071	-17 325 198	101 043	21 302 886	-21 201 842
Human Resource	198 321	6 088 437	-5 890 116	653 981	7 187 127	-6 533 146
Community Services	-	5 963 768	-5 963 768	-	4 768 850	-4 768 850
Parks	-	5 016 763	-5 016 763	-	4 005 563	-4 005 563
Recreational Facilities	202 556	2 188 415	-1 985 859	340 114	1 883 592	-1 543 478
Community Facilities	1 777 417	2 711 894	-934 477	3 887 777	2 280 030	1 607 747
Libraries	1 454 751	2 943 892	-1 489 140	509 390	2 625 321	-2 115 932
Cemeteries	259 236	1 729 896	-1 470 659	240 659	1 480 598	-1 239 940
Traffic	8 462 839	9 741 029	-1 278 191	8 793 994	10 747 130	-1 953 136
Licensing	105 466	9 050 345	-8 944 879	-	8 268 809	-8 268 809
Nature Reserve	323 643	4 635 739	-4 312 096	1 083 653	4 115 958	-3 032 305
Housing Administration	401 641	172 592	229 048	541 085	9 946	531 139
Fire and Disaster Services	-	10 346 530	-10 346 530	700 000	10 005 347	-9 305 347
Technical Services	8 137 654	47 643 100	-39 505 446	-	346 847 041	-346 847 041
Electricity	128 882 528	94 899 545	33 982 982	130 894 589	83 716 971	47 177 618
Water	14 519 271	32 725 204	-18 205 933	20 881 221	31 427 744	-10 546 522
Refuse Removal	16 052 401	19 825 342	-3 772 941	15 791 351	18 570 859	-2 779 507
Sewerage and Sanitation	15 477 510	14 221 545	1 255 965	16 106 991	11 463 117	4 643 873
Roads and Street Lighting	388 126	17 594 852	-17 206 726	28 122 974	20 881 016	7 241 958
Town Planning	476 676	1 200 219	-723 543	298 091	1 101 579	-803 488
Project Management Unit	28 231 189	4 803	28 226 386	30 627 419	6 849	30 620 570
Mechanical Workshop	-	919 563	-919 563	-	1 123 860	-1 123 860
EDTA	-	2 382 097	-2 382 097	-	2 102 710	-2 102 710
Total	373 096 693	416 733 570	-43 636 877	361 848 619	687 630 617	-325 781 998

NALEDI LOCAL MUNICIPALITY

APPENDIX E

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2016

	2016							Explanation of significant variances greater than 10% versus budget
	Actual	Increase in revaluation	Under construction	Total additions	Budget	Variance		
						R	%	
	R	R	R	R	R	R	%	
Office of the Mayor	-	-	-	-	-	-	0%	-
Office of the Speaker	-	-	-	-	-	-	0%	-
Office of the Municipal Manager	23 751	-	-	23 751	-	-23 751	-100%	Furniture additions not anticipated as per budget
Financial Services	39 867	-	-	39 867	100 000	60 133	60%	Equipment usage lifespan increased due to cashflow
Administration	36 955	-	4 549 830	4 586 785	4 850 000	263 215	5%	Equipment usage lifespan increased due to cashflow
Human Resource	7 003	-	-	7 003	-	-7 003	-100%	Furniture additions not anticipated as per budget
Community Services	63 597	-	-	63 597	-	-63 597	-100%	Furniture additions not anticipated as per budget
Parks	-	-	-	-	-	-	0%	-
Recreational Facilities	304 216	-	-	304 216	-	-304 216	-100%	Equipment additions not anticipated as per budget
Community Facilities	115 769	-	461 389	577 158	4 950 000	4 372 842	88%	Stella offices expenditure incurred under administration
Libraries	-	-	-	-	-	-	0%	-
Cemeteries	-	-	-	-	-	-	0%	-
Traffic	-	-	-	-	-	-	0%	-
Licensing	-	-	-	-	-	-	0%	-
Nature Reserve	106 132	1 555 408	-	1 661 540	-	-1 661 540	-100%	Revaluation of game animals to market values
Housing Administration	-	-	-	-	-	-	0%	-
Fire and Disaster Services	-	-	-	-	-	-	0%	-
Technical Services	32 062 262	-	25 798 339	57 860 601	-	-57 860 601	-100%	Expenditure budgetted under sub-votes incurred on main vote
Electricity	-	-	-	-	20 000 000	20 000 000	100%	Expenditure budgetted under sub-votes incurred on main vote
Water	-	-	-	-	-	-	0%	-
Refuse Removal	45 300	-	-	45 300	800 000	754 700	94%	Expenditure budgetted under sub-votes incurred on main vote
Sewerage and Sanitation	13 608	-	-	13 608	-	-13 608	-100%	Equipment additions not anticipated as per budget
Roads and Street Lighting	-	-	-	-	10 663 000	10 663 000	100%	Expenditure budgetted under sub-votes incurred on main vote
Town Planning	-	-	-	-	-	-	0%	-
Project Management Unit	-	-	-	-	-	-	0%	-
Mechanical Workshop	-	-	-	-	-	-	0%	-
EDTA	-	-	-	-	-	-	0%	-
TOTAL	32 818 460	1 555 408	30 809 558	65 183 426	41 363 000	-23 820 426	-57.59%	

Note: This schedule is unaudited

